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BUSINESS WEEK

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DRAW-HILL
PUBLISHING
COMPANY, INC.

CENTS

THE GHOST WALKS on the pump-priming jobs with a bigger money-bag than ever before. Shown here, payroll day for 6,000 at Grand Coulee Dam.

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IDENTIFIED with EXPERIENCE in ENGINEERING CONSTRUCTION

Working capacity of nation-wide scope, as consultant and general contractors, is so unusual as to be noteworthy.

Yet work of an astonishing variety is such an everyday occurrence in the far-flung organization of Merritt-Chapman & Scott Corporation that it is taken as a matter of course, anywhere from coast to coast or Lakes to Gulf, whether it is power plant or paper mill construction, whether it is foundations or a huge and extended dirt moving job, whether it is above or below ground or under water.

Whatever the task, whether simple or complicated, the equipment, the personnel, the engineering talent, the resourcefulness are all at hand to speed from one accomplishment to another in record time. It is merely another job for the Engineering Construction Division to undertake and execute successfully and economically for Industry, Commerce or Transportation.

This capacity for accomplishment is as near as your telephone whenever and wherever you have a construction job you want well and economically handled.



ENGINEERING CONSTRUCTION DIVISION

MERRITT-CHAPMAN & SCOTT CORPORATION
17 BATTERY PLACE NEW YORK, N.Y.
FOUNDED 1860



PACKERS MOVE MOUNTAINS [OF APPLES] WITH RUBBER

A typical example of Goodrich improvement in rubber

A QUARTER million bushels of apples—about to become cider, vinegar, canned applesauce.

In the rich apple-growing section of West Virginia, thousands of dollars worth of apples used to be wasted every year. Then the state government built a demonstration plant to show how to get the most from the crop by grading, and encouraged building of processing plants to use the apples that were not shipped.

Equipment in these plants *must* be dependable, for in the season they work at top speed 24 hours a day. Equipment selected was Goodrich—

from the time they come in from the orchards to the time they go out as finished merchandise, apples and apple products everywhere in this section move on Goodrich conveyor belts or through Goodrich hose.

Goodrich Belts have been operating for ten years without a single failure in spite of fruit juice acids and work at such speed there is no time to give a thought to care of belts. Goodrich hose handles 3,000,000 gallons of cider and vinegar a year without imparting the slightest taste to the product.

Goodrich products were able to meet these severe demands because, for

years, research has been improving compounds and construction of everything Goodrich makes. And of course all these improvements in rubber are immediately applied to all Goodrich products—belting, hose of all kinds, tank linings, pipe, packing. That is why Goodrich products last longer, perform better even on the toughest assignments. The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich

ALL *products* *problems* IN RUBBER

Patapar NEWS

No. 45B JULY 9 1938



I'll Take Strawberry

Ice cream—what joy it brings to the American people! Do you know that in America we eat over 200 million gallons a year?

One of the precautions taken to safeguard its flavor and quality is to cover the tops of the bulk containers with Patapar Vegetable Parchment. These Patapar covers provide safe protection



... won't go to pieces when wet!

because they are insoluble and won't go to pieces when wet. Also they can be attractively printed to indicate the maker's brand and the flavor.

BUSINESS MEN: The unusual characteristics of Patapar make it ideal for many uses, in many industries. It is both strong when wet, and grease-proof, too. Also it is pure, odorless, and tasteless. If you think Patapar might be useful in your business, let us know the application you have in mind and we'll send samples and full information.

Paterson Parchment Paper Company
Bristol, Pennsylvania

West Coast Plant:
340 Bryant Street, San Francisco, California

Branch Offices:
120 Broadway, New York, N. Y.
111 West Washington Street, Chicago, Illinois

NEW BUSINESS

FACSIMILE FIRECRACKER

"HERE's a deal hotter'n a firecracker!" reads the label on a 10-in. facsimile firecracker which doubled as a mailing tube and brought data to dealers from General Products Co., 1801 Fannin St., Houston, Tex., on Turney "Quick-Pack" Partitions just before July 4. Timing was perfect. Who could resist a firecracker at a time like that? Who could resist sending for a sample upon discovering that the partitions would permit him to carry or sell six bottles of wet goods as easily as one on the Glorious Fourth?

WINDOW CONDITIONING

"Not as a temporary blast of promotional fireworks, but rather as a long haul campaign," Libbey-Owens-Ford Glass Co., Toledo, is laying the groundwork for its new Window Conditioning Campaign. Ultimate objective is to sell more window glass; immediate objective is to acquaint the homeowners and industrialists and builders of the nation with the comfort and fuel economy made possible with double glazing (window conditioning), whether in the form of storm sash or of any one of a number of pre-fabricated double-glass sash units.

OUT OF THE BASEMENT

LAST summer one after another of the dealers of Iron Fireman Mfg. Co., Portland, Ore., and Cleveland, took over unused lots and set up outdoor operating displays of Iron Fireman Stokers (BW—Sept 18 '37, p. 22). They reasoned that the public would get a kick out of seeing in broad daylight a product which is normally concealed in the basement. The public did. Upshot is that the company is encouraging all dealers to plant their stokers in the sunshine—in open lots, parking lots, trailers—and see the sales sprout.

GAS IN AIR

ANYONE who has seen the effects of sulphur gases and their compounds on the metal work of buildings and other outdoor structures has probably speculated on the actual amount borne by the air which surrounds them. Air Hygiene Foundation and Mellon Institute, Pittsburgh, are beginning to tabulate the results of a 15-month survey to determine the average amounts of sulphur gases in the air of American cities. Preliminary figures show that average amounts range from 0.128 parts of sulphur dioxide per million parts of air in one industrial center to 0.009 in Washington, too little to be significant from a public health standpoint, but big enough

to explain why metal work doesn't always live up to normal expectancy.

SKI FILM

WELL in advance of next winter's snows and winter sports, E. I. duPont de Nemours & Co., Wilmington, Del., is offering for use in stores and schools and by sport-minded groups a one-reel sound film entitled: "Everybody Ski," which features the dips and turns and technique of the famous Austrian ski teacher Hannes Schneider. With the ski instructions are featured several ski costumes whose materials have been treated with duPont Aridex, a chemical solution which covers individual cloth fibers with an invisible repellent to water, spots, and stains.

HALF AIRFARE FOR CHILDREN

EARLIER this year, many of the airlines achieved a new high in feminine air-mindedness by carrying wives of fare-paying husbands free (BW—Feb 5 '38, p. 2). Beginning July 1, American Airlines seeks to build air-mindedness among children by carrying those between the ages of 2 and 12 at half fare. Children under 2 years, when held in the arms of parents or guardians, will still be carried free.

EXECUTIVE COMPENSATION

EXECUTIVES who wish or need to know how the executives of other American corporations are paid, how the payments fluctuated over the 1928-1936 period, what the trend is in executive compensation, can find out in "Executive Salaries and Bonus Plans," by John C. Baker of Harvard's School of Business Administration, published by McGraw-Hill Book Co., 330 W. 42nd St., New York. Price \$3.50.

CIRCULAR BUSINESS CARD

JUST a little larger than a silver dollar, but just as round, the business card used by executives of Hewitt-Kuster Co., Long Beach, Calif., and Houston, Tex., shows a reduction of the characteristic circular geo-physical map made by the Hewitt-Kuster "Single Shot" instrument for determining the direction taken by the tool used in drilling oil wells. It's a grand door-opener and conversation-maker.

BUSINESS WEEK (with which is combined The Magazine of Business) July 9, 1938, No. 462. Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman. Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; B. R. Putnam, Treasurer; D. C. McGraw, Secretary; A. W. Morrison, Circulation Manager. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 20c per copy. Entered as second class matter December 4, 1936, at the Post Office at Albany, N. Y., under the Act of March 3, 1879. Printed at U. S. A. Copyright 1938 by McGraw-Hill Publishing Company, Inc.

WASHINGTON BULLETIN

WASHINGTON (*Business Week Bureau*)—Jubilant over "proof" afforded by stock market figures that his program is not wrecking the capitalistic system or destroying the fundamental economic soundness of the country, the President will press on for reform, convinced that only by reform can real prosperity be attained—more particularly, that only by reform can prosperity, as T.R. once said, be "passed around."

RAISING STANDARDS IN SOUTH

UPLIFTING the downtrodden in the South, Roosevelt insists, is the No. 1 item on the docket. Raising the pay of WPA workers in the South was the first step; softening of any intended wage differentials under the new wage-hour law is the second. New chapters will follow soon in a broad effort to bring the wage scale of the South up to Northern standards. They will, of course, be timed for the best political effect.

"... ONE THIRD OF A NATION ..."

ROOSEVELT abhors particularly the movement of plant in order to exploit labor, and he has the South in mind as affording some of the worst examples of this type of maneuver. Such tactics in his estimation only go to swell the dimensions of that third of a nation which is under-nourished, under-clothed, and poorly housed.

In this determination to lift up the South, the President is particularly interested in ending discriminations—particularly economic discriminations—against the negro, because they tend to hold down the common prosperity of the whole country.

KEEPING TAB ON PRIMARIES

ROOSEVELT is determined to have a "liberal" Congress.

Bland assertions that he is not informed about certain state situations involving Senators and Representatives regarded as reactionary will deceive no one. The President is tremendously interested in each of these situations.

In the case of Indiana, the President will accept the verdict of his own friends that to throw Van Nuys overboard would be to put a reactionary Republican in the Senate. Van Nuys votes with the New Deal most of the time.

NO QUARTER FOR TORIES

IN NEW YORK, the President will be forced to accept Gov. Lehman for Senator. There again it is a question of

recognizing that half a loaf is better than none.

It was the same in North Dakota, where New Deal support was behind Sen. Nye in the Republican primary despite the fact that Nye had voted against the President on the court issue.

But for outright "Tories" such as Tydings in Maryland, and George in Georgia, there will be no compromise, especially since the President knows

Friend of the Court



Harrold & Ewing

SAMUEL O. CLARK, JR.

UNDER Chapter X of the new national bankruptcy law (*BW*—June 25 '38, p36), the Securities and Exchange Commission is empowered to make a critical report on each corporate reorganization plan. Such reports are expected to weigh heavily with the overworked courts. How heavily will depend on this newly-appointed head of the commission's reorganization division.

there is no chance of a Republican Senator from Georgia and not much of a chance of one from Maryland.

RENEW REORGANIZATION FIGHT

ALL COMPROMISES, the President is determined, will be confined to personalities and political situations. There will be no compromises on legislation. His announcement, just before starting on his political swing, that he will fight again for the reorganization bill, which would give him tremendously increased power in reshuffling the functions of the various government units, is evidence of that determination.

Driving the next Congress to government reorganization was forecast by the President's veto of the stream pollution

control bill and his reluctant signature of the flood control bill, which fails to centralize authority in the White House.

Many angles of the whole reorganization fight are more important to Congressmen than to business men, but navigation, power development, control of floods and stream pollution, and utilization and conservation of natural resources generally are closely linked with the future of industry as Roosevelt would shape it.

TAX DRIVE RESUMED

THE Administration is going out strongly to commit Congressmen, during the campaigns, to pass a tax bill next year that will include two things: first, the "third-basket" tax on family-type corporations, which was slapped down by the House last session; and second, restoration of the undistributed profits and capital gains taxes to their original form. Support for the bulge in stocks is privately attributed to modification of the capital gains tax but this is not advertised in Administration quarters.

WAGE-HOUR AND BUSINESS

ADMINISTRATION officials do not count on anticipation of the wage-hour law, effective Oct. 24, to contribute noticeably to the business upswing. In few industries does the near prospect furnish enough incentive to step up output now to avoid later the payment of overtime beyond the 44-hour maximum.

There are exceptions—low-wage industries such as Southern lumber—that would surprise Washington if they did beat the rap by working hard and fast to pile up stocks. Such industries not only face the combined effect of initial minimum wage and maximum hour provisions but the certain prospect that they will be hit in the first drive to raise wages above the statutory minimum of 25¢.

BIG ISSUE IN 1940

LOOKING ahead, wages and hours may be a big issue in 1940 which, apart from its intrinsic importance, will have a significant bearing on Roosevelt's effort to make a liberal party out of unreconstructed Democrats. Dopesters opine that, in the usual course, a Supreme Court decision in a test case will be handed down late next year or early in '40. If the decision is adverse—if, in other words, the court hands victory to Southern conservatives—a revolt against the New Deal is regarded as certain.

Constitutional authorities who believe that the court will knock out

MANY BUILDINGS SAVE STEAM WITH "HYLO" CONTROL

Extend Application of Improved
Webster Hylo System to Many
"Uncontrolled" Installations

CHECKS COSTLY OVERHEATING

New Hylo Cabinet Allows Operator
to "Tune In" Heating System
to Outdoor Temperature

IMPROVES STEAM DISTRIBUTION

Camden, N. J.—Extension of efficient, economical Webster Hylo central heating control to many buildings formerly using inadequate on-and-off control is assured by the development of a cabinet-type Webster HYLO Steam Variator Control.

The HYLO cabinet, nerve center for Webster Hylo System, prevents wasteful overheating by providing continuous delivery of steam to all radiators, varied in accordance with changes in outside temperature. Radiators are fractionally filled to provide moderate heat during periods of mild weather.

One dial is set for the prevailing "Outdoor Temperature." A second dial, usually set at normal, provides the "Variator" feature available in all Webster Central Controls. It can be advanced for heating up or retarded for night heating load or special needs.



The HYLO Variator cabinet can be located at any convenient operating point.

Webster Hylo Steam Variator Control is applicable to two-pipe orificed systems, either vapor or vacuum, using low-pressure steam from any source. With modifications, it can be applied to directly control stokers, blowers or motor operated draft dampers on hand-fired boilers.

In writing for information, please give the essential details concerning size and type of your installation. Address

1899 WARREN WEBSTER & CO. CAMDEN, N. J. 1938
Pioneers of Modern Steam Heating

50 YEARS OF HEATING PROGRESS

Representatives in 60 principal U. S. Cities

the law rely on NIRA and other decisions that preceded validation of the Wagner Act. They admit they guessed wrong on that one but insist that the High Court's "reign of terror" is past.

NO TRUST-BAITING ORGY

BARRING its exploitation by the White House for political purposes, the anti-monopoly commission's investigation will be conducted without harassing industry. New Deal members of the commission look to the long-range political effect of their inquiry rather than to its mere utility in parading the sins of big business before the public in this year's campaigning. Its ultimate purpose will show up clearly in recommendations next January for supplying the lack of competition and curbing too much competition.

STUDY MONOPOLY FACTORS

THE COMMISSION will proceed to an examination of the present industrial and financial mechanism and an analysis of federal laws and government policies that make for monopoly.

The same factors underlie the concentration of financial control and productive capacity in many industries; and, in the opinion of members of the commission who will do the actual investigating, picking up one industry and then tossing it aside for another would not get anywhere. Pairing off each Senator and Congressman on the commission with an Administration official is intended to prevent the inquiry from going off on tangents.

SWIFT'S RETORT TO WALLACE

TRADE practices in the New York meat market resulting in Sec. Wallace's order, from which Swift & Co. has appealed, have irritated the Department of Agriculture for years; but, dubious of the outcome, it hesitates to fight the company through the courts.

In the order finally entered, the issues are narrowed down to what Wallace thinks he can defend, but the proceeding, which started in 1936, is coming to a head at an unpropitious time. In its appeal Swift & Co. charges Wallace with conducting the case in the same manner that recently got him in Dutch with the Supreme Court.

Chief counsel for the packing company is John Lord O'Brian, assistant attorney general in charge of anti-trust law enforcement in Hoover's Administration.

BOOST GARNER AND HULL

JOHN Nance Garner and Cordell Hull, despite their age handicap, are being talked about more and more as possibilities for the Democratic nomination. Garner's friends say flatly he will not run for a third term as Vice-President. Hull's friends claim he is

Fare Boost—At Last

THE Interstate Commerce Commission this week finally yielded. Eastern roads were granted a boost in coach passenger fares from 2¢ to 2½¢ per mi., with the following probable consequences:

(1) Eastern railroads' gross should jump about \$30,000,000 a year, assuming there is no important shift of passenger traffic to competing transportation agencies—and virtually all of this gross will translate directly to net income, since there is not likely to be a corresponding increase in operating expenses.

(2) Users of coaches may shift to pullman cars, as the spread between coach fares and pullman rates is narrowed noticeably—from 1.72¢ a mile to 1.26¢ a mile.

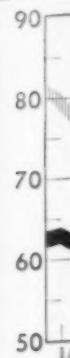
But before there is any marked impetus to railroad purchases of equipment, it is probable that the roads will wait and see what happens—particularly to freight revenues this fall. After all, passenger income is important, but it accounts for only a small part of total railroad revenues.

acceptable both to Roosevelt and to the Southern conservatives. Garner is not acceptable to the Corcoran-Cohen crowd. He's too conservative and known to be worried about government spending, in fact about most New Deal policies, with the one solitary exception of monopoly-baiting.

Hull has managed to keep so busy in seeking advantage for the United States in his reciprocal trade program and in chopping off the political heads of anyone who dared butt into his own province (witness Moley and George Peek) that no one has ventured to inquire into his opinions on most New Deal issues. So New Dealers think he approves and the Southern conservatives are sure he doesn't, which makes for political strength.

MAY RENAME NLRB MEMBER

INSIDERS confide that the President will avoid stirring up more trouble for himself in the row over the Labor Board by reappointing Donald Wakefield Smith to a full five-year term. When John M. Carmody was shifted to the Rural Electrification Administration in August, 1936, Smith was named to fill a term expiring Aug. 27, 1938. He is tagged in Washington as the "colorless" member of the board who follows Chairman Madden's lead.



PRODUCE

* Steel
* Building
* Engineering
* Bituminous
* Electric

TRADE

Total
* Miscellaneous
* Check
* Money

PRICE

Wheat
Cotton
Iron
Copper
Moody

FINANCE

Bond
Call
Prime
Business

BANK

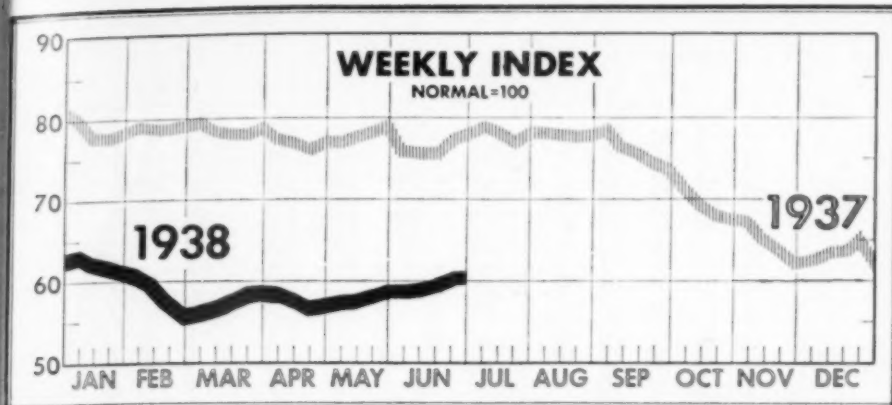
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These months are merely pages of weekly Business of business presented in the top of enable general view of business

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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*61.1
Preceding Week	†61.0
Month Ago	59.6
Year Ago	78.8
Average 1933-37	70.0

PRODUCTION

*Steel Ingot Operation (% of capacity)	22.4	28.7	26.2	67.3	48.9
*Building Contracts (F. W. Dodge, 4-week daily average in thousands)	\$12,115	\$11,940	\$9,227	\$11,386	\$6,765
Engineering Construction Awards (Eng. News-Rec. 4-wk. daily av. in thousands)	\$8,696	\$7,731	\$7,131	\$13,266	\$6,643
*Bituminous Coal (daily average, 1,000 tons)	862	1868	917	1,201	1,031
*Electric Power (million kw.-hr.)	2,015	2,019	1,879	2,238	1,862

TRADE

Total Carloadings (daily average, 1,000 cars)	93	93	94	128	110
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	61	62	61	80	71
*Check Payments (outside N. Y. City, millions)	\$3,798	\$3,952	\$3,619	\$4,742	\$3,860
*Money in Circulation (Wednesday series, millions)	\$6,428	\$6,402	\$6,469	\$6,448	\$5,777

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$0.73	\$0.77	\$0.70	\$1.21	\$0.97
Cotton (middling, New York, lb.)	9.03¢	8.82¢	7.95¢	12.56¢	12.01¢
Iron and Steel (Steel, composite, ton)	\$36.29	\$38.51	\$38.38	\$39.83	\$33.62
Copper (electrolytic, Connecticut Valley basis, lb.)	9.500¢	9.000¢	9.000¢	14.000¢	9.715¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100)	143.1	140.2	131.4	206.9	161.8

FINANCE

Bond Yields (Standard Statistics, average 45 bonds)	6.12%	6.41%	6.74%	4.45%	4.70%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	.85%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate)	.75%	.75%	.75-1%	1.00%	1.00%
Business Failures (Dun and Bradstreet, number)	242	233	226	155	220

BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series)	2,590	2,591	2,593	2,562	2,431
Excess Reserves, all member banks (Wednesday series)	2,900	2,780	2,640	865	1,646
Total Loans and Investments, reporting member banks	20,561	20,572	20,536	22,290	20,254
Commercial and Agricultural Loans, reporting member banks	3,936	3,916	3,992	4,331	§
Security Loans, reporting member banks	1,235	1,220	1,186	2,161	§
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	9,258	9,263	9,255	9,453	§
Other Securities Held, reporting member banks	2,982	13,030	2,947	3,077	§

*Factor in Business Week Index. * Preliminary, Week Ended July 2. † Revised. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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• THIS TRUCK HAS TRAVELED MORE THAN 500,000 MILES



It's a 1934 Ford V-8 Truck. It hauls a 3000-gallon gasoline tank. Today it has traveled over half a million miles—and is still giving new-truck performance.

It is averaging 500 miles a day. During the month of January, 1938, it rolled up 17,640 miles.

More than that—the owners estimate that this Ford V-8 has provided the lowest-cost-per-ton-mile for hauling gasoline of any unit they operate. Here again is proof that eight cylinders mean more work, in less time, at lower cost.

Eight cylinders have always meant better performance. And Ford has found the way to make these extra cylinders mean extra economy too. The Ford Truck engine, equipped with special heavy-duty pistons, definitely puts more pay in every payload.

The Ford Truck gives you V-8 quality in the engine and it is V-8 quality throughout. In materials engineering and design, the 1938 Ford Truck is the finest, sturdiest, best looking truck in Ford history.

The Ford Engine and Parts Exchange Plan slashes the time the truck is out of service for repairs and cuts the cost of repairs.

Your Ford dealer wants you to discover eight-cylinder performance and economy. See him today and arrange for an "on-the-job" test—with your own driver, and your own loads, over your own routes.

SEE THE NEW CAB-OVER-ENGINE TRUCKS. AVAILABLE IN TWO WHEELBASES—101 AND 134 INCHES. ALL THE ADVANTAGES OF CAB-OVER-ENGINE DESIGN WITH TRADITIONAL FORD ECONOMY AND PERFORMANCE.

FORD V-8 TRUCKS

MORE WORK IN LESS TIME AT LOWER COST
ACCORDING TO OWNERS' RECORDS



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THE BUSINESS OUTLOOK

FOR SOME TIME the economic indicators have been pointing toward revival in the early autumn, following very dull summer business, whose low point was expected to be reached in July. The amazing June rally in the stock market, accompanied by improvement in commodity prices and in the indexes of production themselves, has made the recovery seem even more probable and the July bottom much less so.

Whether June has seen or July will see the extreme low in business activity is, however, a minor point. The main thing to hold to is the belief that a broad turnaround in direction is being achieved this summer, and that the last half of 1938 will be marked by a significant revival from last year's collapse.

Stock Rise

THE rise in stock and commodity prices has been both a sign that many well-informed buyers believe improvement is ahead, and another pillar in the structure of confidence on which this improvement will be built. The 24% rise in the average of common stock prices (50 industrials, 20 rails, and 20 public utilities as averaged by Standard Statistics Co.), in a period of just two weeks and on large volumes of transactions, was a remarkable phenomenon.

It probably has no precedent except in cases of a sharp rebound from a selling climax such as those culminating on last Oct. 19 and March 31. The June rally started without any such technical aid and reflected a straightforward belief that business will improve and security prices therefore rise on their intrinsic merits.

Indicates General Recovery

THE fact that the rally may have gone too far, letting securities in for a more or less sharp technical reaction, does not change the favorable implications of the movement. The fundamental reasons for the rise which has occurred remain, in the shape of a growing and seemingly well-founded belief that the general direction of business is in process of turning.

Higher Values Help Retailers

MEANWHILE the higher level of values gives purchasing power to those holding securities and greater confidence to millions not in this category. This has favorable implications for retail purchasing, especially for expensive articles and for durable goods, including

houses. A market rise cannot make a business recovery, but if it is soundly based it can lend it strong support.

Advance in Commodities

THE rally in commodity prices began nearly two weeks before that in stocks and has proved to be the most important and best-sustained in the past year. It has, however, regained a far smaller proportion of the total loss than did the accompanying rise in stock prices.

Stocks Did Better

THE position of commodity prices may be illustrated by the movement of Moody's index of 15 raw materials. This index, after nearly three years of relatively minor changes in which the extreme range was about 25%, rose between June, 1936, and April, 1937, from 163 to 228, or a full 40%. The ensuing decline took it to 130, down 43%, at the beginning of June, 1938. A nearly continuous rise through the month of June raised it to 143—an increase of 10% from the bottom but a recovery of only 13% of the total decline. In contrast, the average of 90 common stocks regained 30% of its loss in the same period.

First Rush of Buying

THIS rise in the principal commodities has reflected developments on both the demand and the supply sides of the market. Private and governmental influence, both in the agricultural and industrial raw materials, has been effective in reducing supply and thus strengthening the market position of the commodities in question. At the same time, the first rush of buying by industrial consumers occurred last month, as seen most prominently in cotton textiles and the non-ferrous metals.

The purchasing agents of the country, in general, are apparently still not ready to cover their future needs, but the recent buying wave forecasts the much-needed change to this effect. A rise in commodity prices based on control of supply may be helpful to the industry in question, but the rise is a good portent for the economy as a whole only if it is derived from rising consumer demand.

Shift of Inventories

THE position of some of these commodities may be illustrated briefly by the case of copper. Published copper stocks, which are those in the hands of producers, are the highest since 1934. Stocks in the hands of consumers are not known, but a prominent executive

has estimated that they are the lowest in years. In other words, the effect of the recession in business has been to push the weight of inventories from the latter to the former.

If business improves significantly, they will be shifted back—the producers' excessive stocks will gradually disappear and will move through the fabricators to the ultimate consumers.

Purchasing Agents Buy

THE first signs of such a restoration of normal business, in the copper industry, have occurred in the past three weeks. Purchasing agents have come into the market with a rush, buying for their needs far ahead. Naturally the price has stiffened along with that of other important raw materials.

Reopen Copper Mines

ON the side of supply, the copper producers have curtailed output this year with a severity much greater than that in the previous depression. Apparently the market position has been much improved by these measures, since the Kennecott Corp. has announced that its important Utah mines will be reopened on Aug. 1.

Autos, Building, Utilities

THE position of the various commodities rests, as is obvious, on buying by the ultimate consumer. Copper, for example, requires a revival in automobile purchasing, in building, in utility construction, etc.

The prospects in these various lines are mixed. Automobile buying will probably pick up along with general business—it will not lead the way unless price cuts or marked changes in new models change the consumer psychology. Residential building is already moving ahead satisfactorily, and total construction, with the aid of the federal spending program, will not be as bad as had been feared. The utility outlook is still poor. The contribution of such durable and capital goods lines to a fall recovery is uncertain, taking them all together.

Consumers' Goods Revival

AS has been stressed in these columns many times, the revival which we have the best grounds for predicting in the next few months, will be led by consumers' goods. It is here that inventories are lowest; it is here that buying cannot be postponed. The contribution which the capital goods will make, and which will depend partly on political developments, should determine whether we can look forward to a mere rally or to a real recovery.

TWO BROKEN ANKLES

inspired his first step toward success!

• C. A. JOHNSON, sales manager of the Implement and Industrial Division of Motor Wheel Corporation, Lansing, Michigan, was forced to quit school at the age of fifteen, due to the death of his father. He found employment in a small machine works.

Later he was injured in a plant accident, breaking both ankles and a shoulder. "With the prospect of many weeks in the hospital," he says, "it seemed the right time to take an I. C. S. Course." He enrolled for engineering.

Two years later he became chief draftsman of the Muncie Gear Works.

Following this he was assistant chief engineer of the Chevrolet Motor Company. In 1918 he began a thirteen-year association with the Hyatt Roller Bearing Company. In this position he built up a nation-wide acquaintanceship with implement and industrial machinery manufacturers.

In 1931 he became general sales manager of the Roller Bearing Company of Trenton, New Jersey, and left this position to become district manager in New York and Pennsylvania of the Chevrolet Motor Company. Looking back over his career, here is what Mr. Johnson says:

Without the shop and the I.C.S. none of this could have been accomplished, and I am grateful today for the persistency of that young I.C.S. salesman who stayed with it until he enrolled me in an engineering course and to whom I give credit for the progress and success I have enjoyed to this date.

Very truly yours,

MOTOR WHEEL CORPORATION

C. A. Johnson
Sales Manager
Implement and Industrial Div.

Dir. C. A. Johnson
NY

*The Business Leaders
of today are the
I.C.S. students
of yesterday!*



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BUSINESS WEEK

JULY 9, 1938

Wall St. Starts Its New New Deal

And an active market eases the job confronting Stock Exchange President Martin as he initiates a program of close cooperation with the SEC, which the Gay régime promised but didn't deliver.

On June 9, a shy man stepped out of character. After conferring with a group of New York financiers and brokers, Securities and Exchange Commission Chairman William O. Douglas threw an arm around the shoulders of William McChesney Martin, Jr., and exclaimed:

"Here's a fellow I can really work with!"

Those impulsive words, more or less directly, made young Bill Martin the first paid president of the New York Stock Exchange. Right at a time when the stock market was staging a splurge which bids fair to lift the country to prosperity, the Big Board's governors handed this 31-year-old broker the biggest job the exchange has ever bestowed.

Tasks Facing New President

These rising markets will make the jobs of Bill Martin and Bill Douglas a lot easier. Only last autumn Charles R. Gay, then president of the exchange, was publicly blaming federal regulation and the SEC for the break in stock prices. SEC-exchange relations were shrouded in mutual suspicion and bickering. All that is changed as Martin and Douglas launch a program of real cooperation.

It's often forgotten, but Martin's biggest job is to help the SEC enforce rules already in effect—to prevent manipulation and other sharp practice which would imperil the public, see to it that margin rules are obeyed, guard against misrepresentation, and aid in preparing the multitude of reports which federal regulation entails.

Most pressing of the problems still to be faced is the subject of safeguarding brokers' customers. Douglas has suggested a stock exchange trust company to handle customers' securities and funds; many influential exchange members favor permissive incorporation of brokerage firms and bonding of partners. Above all, the exchange will redouble its efforts to keep members in good financial standing.

Later Douglas will come forward again with the suggestion that broker-dealer functions be segregated. He'll

find big brokers keenly alive to the need for segregation of underwriting and brokerage capital, but the specialist will still provide a knotty problem.



ON THE TENNIS COURT, "BILL"—And the new president of the exchange has been a good enough tennis player to enter the nationals at Forest Hills three times, getting past the first round each time. Once broke 80 at golf consistently, but hasn't been able to keep up with it. Ardent baseball fan.

As an exchange man, Martin is confronted with the starvation level of business which has so frequently been experienced by brokers in recent years. Right now, profits are taking care of themselves and big trading is remedying Wall Street's unemployment problem. But Douglas and Martin will continue round-table conferences on increasing the exchange's business, particularly that in bonds.

From this brief summary of problems it will be seen that Martin has

his work cut out for him in pleasing both the SEC and the stock exchange. In fact, he got the job because he enjoyed the confidence of both groups.

Six months ago, few people off the floor of the New York Stock Exchange had ever heard of Martin. Some of his associates on the trading floor still thought of him as a kid. A lot of things had to happen, on the stage and off, before he was elevated to the presidency.

Of paramount importance was the widening breach between the exchange and the SEC. Gay, elected by the liberals in 1935 in a revolt against Richard Whitney's bull-headed attitude toward Washington, had become hopelessly opposed to the SEC. Douglas, angered, had told the exchange to reorganize or face ruthless regulation.

Insurgents Bring Pressure

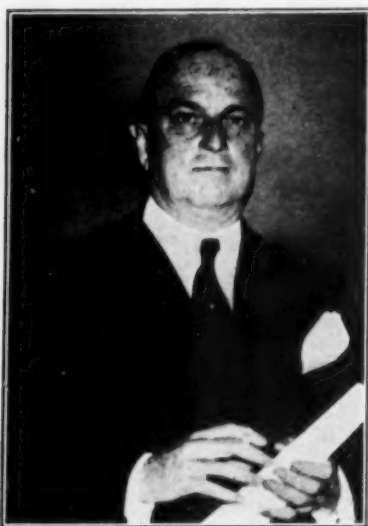
At that point the men who had led the rebellion against Whitney and the "old guard" in 1935 rebelled in turn against their own man, Gay. Wall Streeter John Wesley Hanes was named a member of the SEC. Brokers Paul V. Shields and E. A. Pierce, heads of two of the biggest wire houses, went to Douglas and offered him every help. They said they'd back his plan to reorganize the exchange the whole way. Pressure from the exchange's liberal bloc and from Washington impelled the exchange's governors to instruct Gay to name a committee to study reorganization.

That committee was headed by Carle C. Conway, board chairman of the Continental Can Co., and its secretary was none other than William McC. Martin, Jr. Martin had been named to the committee because Gay knew his capacity for hard work, and he was handed the drudgery of the secretaryship because his fellow committeemen also knew that capacity.

Douglas' Ideas Adopted

The committee brought in a report which gave Douglas everything he had asked for, including his particular pet idea of installing a non-member, paid president for the exchange. Then a special committee had to draw up virtually a new constitution for the Big Board, and the hard-working Martin was on that too.

The membership in due time approved the new constitution, and by then plenty of people knew friendly, self-assured Martin. He became the nominating committee's choice for chairman of the new board of gov-



Newsphotos

NOMINATED this week to the position of chairman of the board of governors of the exchange was Broker Edward E. Bartlett, Jr., former president of the New York Cotton Exchange.

ernors, the highest post an exchange member can hold under the new constitution. He rode into office at the head of an unopposed ticket. He was president pro-tem while a permanent chief executive was sought.

Paul H. Davis of Chicago, Gayer G. Dominick, and Shields drew the job of checking the qualifications and availability of some 200 prospects.

As late as the beginning of last week, they still hadn't found their man. A few of their friends, though, had some ideas. One was Sidney J. Weinberg, one of the exchange governors elected this spring and a leading investment banker.

Weinberg says he admires Martin most of all for a balance which would be rare in a much older man, and for his indefatigable industry. So, a fortnight ago, Weinberg suggested to Shields and Dominick and Davis that they might be missing their best bet.

Meanwhile, peace had been made with the SEC, and as far as Chairman Douglas was concerned, Weinberg's suggestion fell on receptive ears.

Receives SEC's Blessing

Wednesday of last week Davis and Dominick and Shields gave Martin the surprise of his life. They asked him if he would take the presidency. He asked for time, called up Douglas. He got the SEC's blessing in a twinkling, and next day a special meeting of the governors was called at which he was unanimously elected at a salary of \$48,000 a year (*BW—Jul 23, p. 5*).

With the issuance of an appropriate statement, featuring recognition of his responsibility to the public, Martin dashed off to his home in St. Louis.

The exchange's constitution required him to resign as a partner in A. G. Edwards & Sons, which he has represented on the floor since 1931, and to sell his exchange seat. The president can't have outside business interests.

Whether the president can have any kind of outside interests, in view of the job on hand, remains to be seen. For some time now Bill Martin has managed to work in some tennis with 15-hour workdays, but he's just about had to give up golf. Going to big league ball games seems to be a thing of the past. He doesn't expect that he can continue to see almost every play that opens on Broadway, and he doesn't know whether he will be able to continue active in the affairs of the advanced New School for Social Research of which he is a trustee.

Record U. S. Revenue

The final figures are in, and now Morgenthau ranks with David F. Houston.

SECRETARY of the Treasury Morgenthau this week took rank as the greatest Secretary of the Treasury since David F. Houston. It was in 1920, under President Wilson, that Sec. Houston broke all American records for raking in revenues. He amassed a total of \$6,694,600,000.

Mr. Morgenthau fell short of Mr. Houston's total by \$450,000,000. For a time, it appeared as if he might achieve top ranking. In the first 1938 budget estimate (January, 1937) the forecast for receipts was \$7,293,000,000. But as the months wore on, that expansive total was scaled down—to \$6,906,000,000 in April, 1937; to \$6,321,000,000 last January. The final tally for the fiscal year which ended June 30 was \$6,242,000,000.

Special Levies Help Record

Just as Mr. Houston was helped to his record by special taxation, so was Mr. Morgenthau. The Wilson secretary was aided by emergency war profits taxes, while more than \$600,000,000 of Social Security taxes put Mr. Morgenthau over the six billion dollar mark.

The expenditure side of the federal ledger was comparatively uneventful. Expenses came to \$7,701,000,000. But, because of the record receipts, the net result established a Roosevelt record. At \$1,459,000,000, the net deficit was the smallest since 1931 (see chart opposite). Yet that is hardly a harbinger of a change in the trend of deficits. Recovery and relief disbursements dropped \$815,000,000 last year to \$2,264,000,000 from \$3,079,000,000 in 1937. But, in the 1939 fiscal year,



Newsphotos

LIBERAL—Broker Paul Vincent Shields led the revolt that deposed Richard Whitney in 1935 (installing Gay), and the revolt of 1938 that brought about the present exchange reorganization.

they will go up again as Works Progress Administration and other relief agencies expand their operations in the Presidential fight against unemployment.

Furthermore, receipts during the 1939 fiscal year will be down. In the year just ended, Sec. Morgenthau had the benefit of luscious corporation and individual income taxes—the direct result of the undistributed profits tax and at the same time, despite the fourth quarter recession, corporation earnings were the best since 1929.

But this year's earnings will be skinny, as the direct consequence of the decline in industrial activity. Even a pickup in the fall of the year will not alter the tax outlook greatly. Hence, on recapitulation, the 1939 fiscal prospect is resumption in the rise in deficits—for receipts will be down, and expenses will be up.

Steel Puzzle

End of basing-point system brings some certainties and a great many maybe's.

STEEL—which destroyed its former system of pricing a fortnight ago and thereby took on all the characteristics of a jigsaw puzzle—still was an "if-and-but" subject in business this week. Having cut prices on nearly all products, and having wiped out Pittsburgh's long-time price advantage, thus enabling mills in Chicago, Detroit, Cleveland, and a few other cities to quote virtually identical prices, the industry feels that a trial period, running at least until Aug. 1, is needed before the eff-

Billions of Dollars

Billions of Dollars

Billions of Dollars

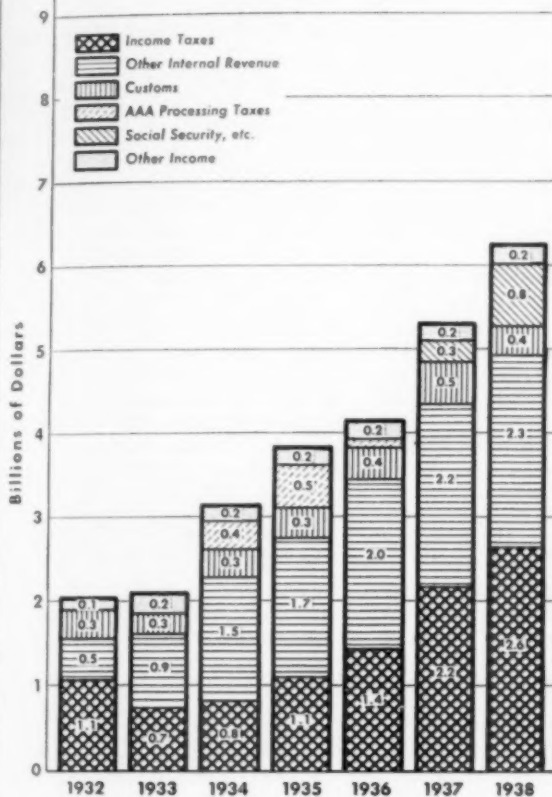
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UNCLE SAM ENDS ANOTHER FISCAL YEAR (JUNE 30, 1938)

And submits to his stockholders (U.S. taxpayers) another whopping deficit

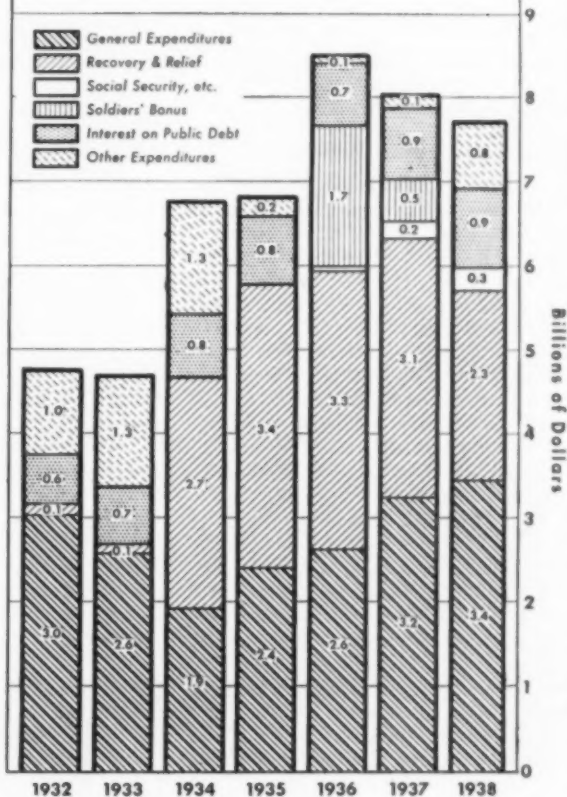
GROSS RECEIPTS

1. Here is how the money has come in during the last seven years:



GROSS EXPENDITURES

2. Here is how it has gone out:



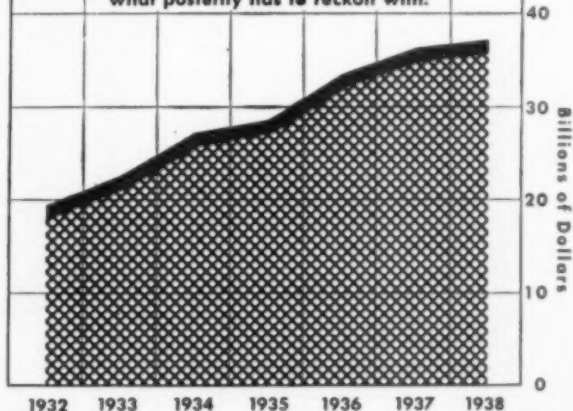
PROFIT AND LOSS

3. Here is how the deficits look (there's been no surplus since 1930):



THE FEDERAL DEBT

4. And, as a result, here is what posterity has to reckon with:



ciency of its revised multi-basing-point price system can be evaluated (*BW—July 23, p. 13*).

Speculation about the future lineup in the steel industry's sales competition divides itself into "probable" and "possible" shiftings. Of the more certain realignments, the following are marked:

1. Geographical advantages will play a much larger part in determining which mill gets the orders, with buyers naturally avoiding as much freight charge as possible and taking the lowest delivered price. But same steel manufacturers are big enough and strong enough to absorb part of the freight differential and still cut into a smaller competitor's territory.

Some Roads May Benefit

2. The railroads will lose some haulage business, as long cross-hauls decline, but some roads are likely to benefit. Southern lines, for example, taking steel out of Birmingham for metal users in that area, will get traffic which formerly was a piece of long-haul routings out of Pittsburgh. There is much speculation, incidentally, on the prospect of revival in waterway steel traffic.

3. Pittsburgh and Youngstown probably will get a smaller share of orders, now that their price advantages are gone, and mills in Birmingham, Gary, Chicago, Detroit, Cleveland, Buffalo, Bethlehem, and Sparrows Point, Md., which now have price equality, should get a larger cut than heretofore. (Production turned up sharply in some of these areas as this week got under way.)

In the field of "possible" events, further price shifts and "squeeze plays" are not to be overlooked. A minority among observers close to the industry expects a price war; the majority does not. And the question of wage reductions must remain where it was (*BW—July 23, p. 13*), with no answer possible before the present readjustment period is ended.

Change Helps Auto Makers

Biggest gainers by the elimination of "Pittsburgh plus" are the automobile makers, who have been shooting at the former basing-point system for a long time. Reductions in steel prices mean a \$5 to \$7 cut per car—not much but a further incentive toward lower automobile prices. The price cuts come too late, of course, to affect 1938 automobile production materially, but the air has been cleared and any steel orders which have been held up in hopes of lower prices may be expected to come through soon.

Incidentally, companies like Great Lakes Steel, close to the automobile plants, gain by the geographical factor. This result of the shifts may induce U. S. Steel, Bethlehem, or others at a distance to establish branch plants in

the Detroit area, at least for sheet production.

Washington economists, like everyone else, were thinking this week about possible effects of the basing-point revision, but admittedly were "just guessing." It was obvious that, on the eve of the government's monopoly inquiries, the steel industry had become decidedly competitive. Each territory had a unique set of factors and a separate problem. One company had an edge here, another there. Where it would wind up depended to a large extent on the general course of recovery, which itself was a question mark.

Housing Labor Peace

U.S. and A.F.L. put their heads together on a couple of important questions.

WASHINGTON (*Business Week Bureau*)—Jurisdictional strikes, long the bane of the building industry, are not going to tie up projects of the United States Housing Authority, nor are sudden demands for wage increases going to throw its cost estimates out of line. To obviate these twin hazards, USHA has already negotiated over 50 contracts with building trades councils in as many cities where its slum clearance projects are planned; is working for agreements in as many more.

Because the government's low-rent housing program is decentralized, the contracts are between local housing

authorities and councils. But their genesis is in Washington, where USHA's labor diplomat, Walter Prier, and Herbert Rivers, treasurer of the Construction and Building Trades Department of the A.F.L., got together, with the result that some 450 letters went out from A.F.L. headquarters to the local councils, endorsing "in principle" the duration-of-job guarantee. Armed with this blessing, USHA went to work on the local authorities and labor councils.

Labor's Promises in Agreements

Under these contracts, labor promises two things: that the prevailing wage rates set at the beginning of the job will be adhered to until its completion, and that there will be no stoppage of work because of jurisdictional squabbles until full opportunity is given for the adjustment of differences by the local housing authority, the A.F.L., and USHA.

Only time will tell the success of the experiment, but its proponents are hopeful. The wage provision rests on stable ground: men are not apt to quibble over a wage rate when steady employment goes with it. The jurisdictional question is more doubtful, but even on this uncertain ground it is hoped that prompt and reasonable negotiation will adjust differences before the disputants lose patience. And if the new type of agreement succeeds, there is some reason to hope for its extension to private construction, where it would relieve many headaches.



JAPANESE BUSINESS MEN ON SHOPPING TOUR—As Japan tightens her economic belt, purchases of foreign materials are being made more and more carefully. Above, a group of Japanese business men—representing such industries as steel, machine tools, and rayon—as they arrived last week in San Francisco, beginning a bargaining tour of the U. S. and Europe.

Wide World

Japan

Great
has it
will

A group of Japanese business men, carrying on a tour of the U. S. and Europe, arrived in San Francisco, July 7, 1937, where they were met by incident staffs of the U. S. and Chinese governments. The group was on a drive in China.

It is significant that the Asiatic campaign, which is a anniversary of the city should be that in it have been by the Japanese, an economic political in the Orient. The campaign started the results startling.

War Economy

At home, war economy has been shipped abroad. Its gold reserves, payments, machinery to the count. To save gold, have each ration card. It has been of alcohol.

In spite of the cost of the war, the cost of the war has so many contrary to most other half of 1937 government stores, many price lists, mainstays. Only last year, the war were would be soon as possible the Japanese of the othering development, scramble every store.

Borrowing deficits will since the 1931 have from about to almost 1937. The emergency

Japan's First War Year—and U.S.

Great attack on China began 12 months ago. What has it already meant to American business, and what will it mean when the war is over?

A GROUP of Japanese soldiers were carrying on maneuvers on the outskirts of Peiping on the night of July 7, 1937, when they were fired on. That incident started the latest Japanese drive in China, the one that has now swept Japanese troops down the main Chinese railroad lines and up the Yangtze River toward Hankow, seat of the Chiang Kai-shek government.

It is symbolic of Japan's whole Asiatic campaign that on the first anniversary of this Peiping incident the city should be renamed Peking and that in it a great trade fair should have been opened, sponsored, of course, by the Japanese. Tokyo is fighting for an economic empire, and for both political and economic domination of the Orient. One year after the campaign started on this enlarged scale, the results are both impressive and startling.

War Economy Evolved

At home, Japan is definitely on a war economy. In the last year it has shipped abroad more than one-half of its gold reserve in order to maintain payments on cotton, iron, and machinery to keep the war industries and the country's export business going. To save gasoline, every motorist must have each purchase registered on a ration card, and since the first of July it has been compulsory to mix 5% of alcohol in all gasoline.

In spite of price regulation schemes, the cost of almost every kind of product has soared for the last two years, contrary to the trend which began in most other countries during the last half of 1937. A few weeks ago the government decreed that department stores must submit regularly their price lists on 50 items which are the mainstays of the mass of the public. Only last week, retailers and the public were warned that no more cotton would be imported for home use. As soon as present stocks are exhausted, the Japanese must wear rayon or some of the other substitutes which are being developed. The result has been a scramble for cotton yard goods in every store in Tokyo.

Borrowings to cover the national deficits which have recurred regularly since the Manchurian campaign started in 1931 have raised the national debt from about \$1,711,000,000 in that year to almost \$3,500,000,000 at the end of 1937. The enormous normal and emergency budgets which have been



HE FILLS TWO SHOES—Mornings, Seihin Ikeda works at being Japan's Minister of Finance; afternoons, he works at being Minister of Commerce and Industry. Holding the two posts, he is the key man in mobilizing Japan's economy for the China conflict.

voted in 1938 and for 1939 will in two years add almost another \$1,750,000,000 to the national debt. Taxes are soaring but so far public resistance to them has been overcome by an appeal to patriotism. To fulfill Japan's destiny in the Far East, every Japanese must give both of himself and his income.

Governmental Regimentation

Japan's economy is gradually becoming as regimented as that of Germany or the Soviet Union. In the last year laws have been passed regulating the amount and the purpose of new capital that can be raised, the kind and amount of foreign products which can be imported into the country (luxury imports are prohibited), the distribution of fertilizer, the allocation of ships, and the distribution of food. The Electric Power Control Law gives the government complete control of the electric industry. And the National General Mobilization Law, passed in March and already partially put into effect, gives the government the authority to control, in time of emergency, all of the key industries; to draft labor and shift it from place to place as the demand for skilled technicians arises; to expropriate

mines, factories, and methods of transportation and communication in the public good; rigidly to control all prices; and to compel industries and labor to cooperate under government supervision.

In China, the last year has meant something quite different. Instead of controlling a mere fringe of territory along the borders of Manchuria, Japanese troops now dominate the bulk of the region north of the Yangtze. Except around Peking and Tientsin, their control is still sufficiently tenuous so that Japanese business has been reluctant to enter the zone. South along the coast from Shanghai to Hainan, they have effectively closed all harbors to arms trade, except at British-controlled Hongkong.

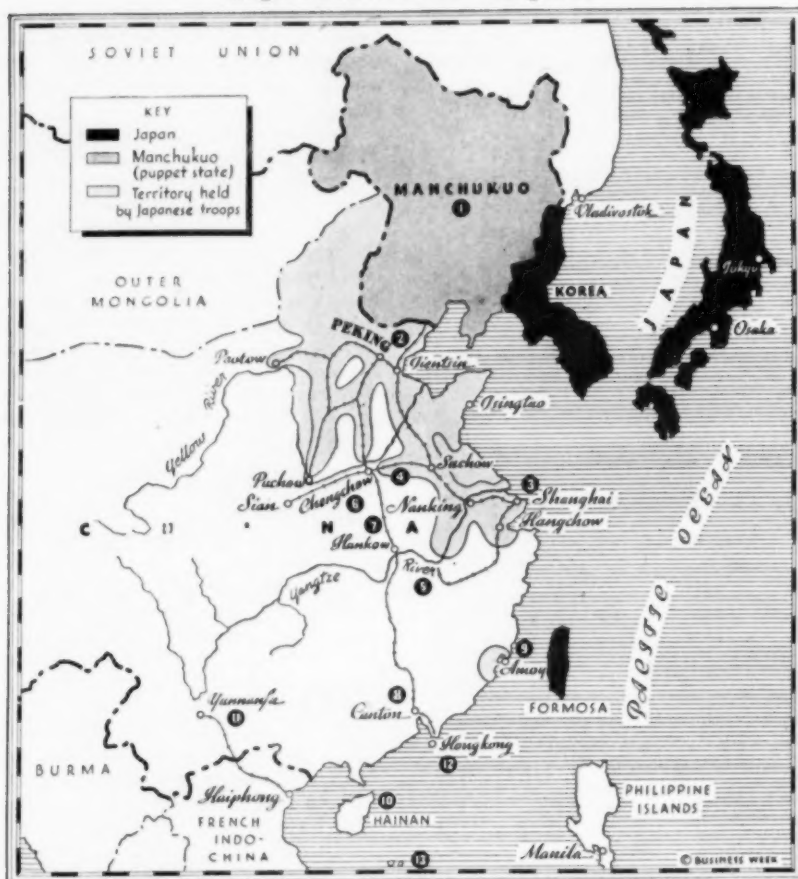
Economic Spoils of War

Tokyo has made a few distinct economic gains to counterbalance the enormous costs of the China campaigns. From Manchuria, Nippon is getting iron, coal, gold, lumber, and soya beans. In North China, doughty little Japanese traders are following the troops with samples of Japanese textiles, soap, prepared foods, toilet articles, and inexpensive novelties. Bespectacled agronomists are busy in Shantung showing the farmers how to raise more and better cotton and tobacco, and arranging for the marketing of the crop to Japanese middlemen. West of Peking, scientists from Tokyo's technical schools are drilling for oil, studying coal and iron deposits, searching for other minerals which Japan lacks.

Plans are being completed now for reestablishment of rail service between Tientsin and Shanghai—all under Japanese management. Two strategic new lines have already been built north of Peking. One gives a more direct connection between Peking and southwestern Manchukuo lines; the other branches from the Peking-Paotow line and runs northeast to a point near Soviet-controlled Inner Mongolia.

Impressive delegations of Japanese industrialists are on every liner arriving at Tsingtao and Tientsin. They are buying up the textile mills, the cement factories, the vast salt works, the cigarette factories, and the flour mills. Japanese engineers are building huge electric power plants, building rows of new buildings, opening hundreds of shops. They have intimidated American, British, French, Greek, and Dutch manufacturing interests into selling their properties. The railroads have already been placed under the administration of the South Manchuria Railway Co. Shipping companies are being formed to supplement the coastal services already offered by established Japanese lines. By Oct. 1, Japanese

Japan's Record of Conquest



UNSATISFIED WITH THE EMPIRE it had succeeded in creating in Manchukuo (1) and bordering territory between 1931 and 1935, Japan just one year ago resumed its China drive with almost simultaneous thrusts at Peiping (2) (since renamed Peking—"Northern Capital") and Shanghai (3). Since then it has pushed its drives down the rail lines (4) and up the Yangtze (5). Flood waters from the Yellow River have held up the push to take Chengchow (6); rains in the Yangtze valley have bogged the army in its drive toward Hankow (7)—main headquarters of the Chinese government of Chiang Kai-shek. During fighting lulls in the north, or when guerrilla fighting by Chinese behind the

Japanese "front" threatens to break Nipponese morale, air raids are made on port cities, especially Canton (8), now the chief port of entry for Chinese supplies. Amoy (9) was occupied after such a raid recently. Threats to take Hainan (10) island brought a strong Anglo-French protest and a promise of joint armed resistance. The French are blamed for helping get supplies into China through Yunnanfu (11), just as the British are blamed for shipments through Hongkong (12). New Franco-Japanese tension has developed recently following the occupation by French troops of the Paracel Islands (13) and the threat from Paris to fortify them unless Japan withdraws all claims to Hainan.

air lines plan to establish regular service to China by way of Tsingtao to Peking, and by way of Shanghai to Nanking. Unless Japan suffers unexpected reverses, its control over the economic life of North China will soon be as complete as it is over the business of Manchukuo.

What does it all mean to the United States and to the rest of the world?

For the last year, and probably for the next, it means increased sales to Japan of machine tools, heavy machinery, petroleum, airplanes, and steel. There have been times during

the last year when one-half of the orders in American machine tool plants have been foreign, and when Japan—with Russia and Britain—has been placing the biggest contracts.

In contrast, the United States has been selling Japan less cotton, scrap iron, and lumber. American movies are practically banned. So are all luxury items.

Those exporters who still sell to Japan are demanding cash for their goods. Total business is dwindling as Nippon tightens its belt. It will dwindle further this year, except in those special

lines needed to keep Japan armed or equipped to produce for export.

The foreign exchange situation will tighten. Japanese competition in other foreign markets will be reduced as costs mount in the island empire and as the country demands more of its own production for the support of its army in China or the development of new industries in the conquered territory.

There is little or no room for American business inside the new empire, except as equipment can be supplied through the new masters in Nippon. A bold scheme on the part of the industrial leaders responsible for the development of the new region, to seek capital in the United States was so coldly received in New York that it has been dropped for the time being.

Policy Affects U. S. Business

The longer range outlook is even more disturbing to American business. Japan, in the last seven years, has been building up a great industrial machine capable of producing for a large export market, but at the same time, actually supplying a huge army in the field. It is enlarging its steel industry far beyond the capacity of the period before the war. Its railroad shops are being enlarged to produce the equipment for the railroad system which Tokyo believes some day will extend from the Amur to the borders of French Indo-China. It is freezing out foreign automobile manufacturers and building its own industry. To keep its enormous arsenals operating at capacity, it is equipping a machine tool industry comparable in size to that of many European countries.

What is going to happen to these industries when the war is over and they are no longer manufacturing for an army in the field? The demands of the new empire market will be enormous, but these regions can't supply all of the raw materials for the industrial machine. To supply these, Japan must still sell abroad to acquire foreign exchange.

Encouraging Home Industry

A few months ago Japan passed a Machine Tool Industry Law. It provides for the reduction of import duties on machinery which Japan urgently needs in order to make itself independent in the future of foreign machines. It also provides for a government export subsidy to the machine tool industry to operate during periods of slack demand. This is Tokyo's way of coaxing producers to boost capacity for emergency demands. But it is a warning to the industry in other countries that its export market will be endangered.

What Japan is prepared to do for its machine tool industry will be repeated in other lines. This is an even greater threat to American business than the loss of the China market.

Hats off to 1,400,000 to his crew drove his he pilots Crocker T. Christi, Te trucks in equal to 56 part of his has been a The title awarded Trucking convention promotion industry.

Driving 3 compared truck-aw Illustration 3 with semi-

AMERICAN TRUCKING ASSOCIATIONS HONOR

"WORLD'S *Safest* TRUCK DRIVER" AND "NATION'S *Best* TRUCK DRIVER"



Hats off to ALLEN B. HILL, who has 1,400,000 miles of accident-free driving to his credit. Thirty years ago Allen Hill drove his first International Truck. Today he pilots a big International for the Crocker Transfer & Storage Co. of Corpus Christi, Tex. Though he has driven other trucks in between, while rolling up a mileage equal to 56 times around the earth, the major part of his magnificent career at the wheel has been achieved with Internationals.

The title, "World's Safest Truck Driver," awarded to Mr. Hill by the American Trucking Associations at last winter's convention, climaxed the 1937 safety-promotion work of the nation's trucking industry.



Doff the hats again to WILLIAM J. FREDERICK who topped the other experts in a demonstration of skill in putting a truck and trailer through a set of difficult maneuvers, winning the title, "Nation's Best Truck Driver."

In this competition Mr. Frederick and the winners of second, third, and fourth places drove International Trucks with 24-ft. semi-trailers at the convention. Frederick is an operator for the Kentucky Transport Corp. fleet, Louisville, Ky. He has been driving trucks for thirteen years without accident.

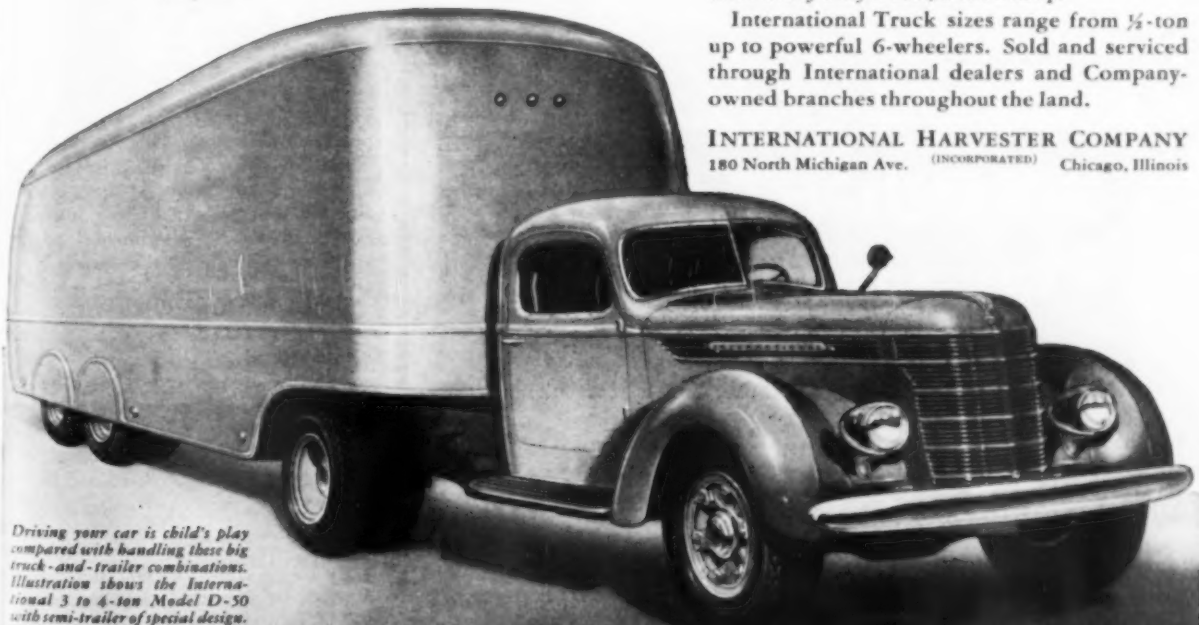
Manpower is the heart of the coordinated network of highway transport. There is no finer group of men to be found than the army of drivers who pilot the nation's trucks.

These two — Allen Hill and Bill Frederick — find the spotlight on them suddenly, but during the years that built their records they have been just like hundreds of thousands of others — keen and capable men doing a man's job day by day and doing it well. All of them together are custodians of a safe-sane driving standard that would do wonders for the nation if it could only be lived up to by the public.

Hill and Frederick, like so many other star drivers, do their stuff with International Trucks. Although there are forty manufacturers in the field, International Harvester sells one out of every three heavy-duty trucks, 2-ton and up.

International Truck sizes range from ½-ton up to powerful 6-wheelers. Sold and serviced through International dealers and Company-owned branches throughout the land.

INTERNATIONAL HARVESTER COMPANY
180 North Michigan Ave. (INCORPORATED) Chicago, Illinois



Driving your car is child's play compared with handling these big truck-and-trailer combinations. Illustration shows the International 3 to 4-ton Model D-50 with semi-trailer of special design.

INTERNATIONAL TRUCKS

How Britain Handles Labor

II. A long process of education has succeeded in teaching most British employers and union leaders how to get along together.

IN the United States, employers are likely to fear unionization, particularly if their plants are not now unionized. For this reason it is well to examine certain of these fears and to see whether they have been realized in British experience.

First we fear that "labor will run our plants," substitute its discipline for the employers' discipline, dictate terms incompatible with smooth operation and efficiency.

The British experience is that the unions have not "run the plants." At times their demands, if granted, would have trespassed on the domain of management. But firmly resisted, the denial has been accepted. Individual cases of discipline are always review-

able on request and, if not disposed of to the satisfaction of the complainant, may be placed before the constituted joint machinery for hearing and settlement.

Bound up with this question is that of the closed shop. Naturally the unions want it. In some British industries they have it; in most, they have not been successful. The check-off is unknown in Great Britain. In fact, it is illegal to make deductions from wages, except for various insurances.

Americans fear union resistance to improvement of processes, new machinery, piece work, and all the methods of scientific management. British labor, of course, looks on some of these with a wary eye. It knows the labor-

Labor Report

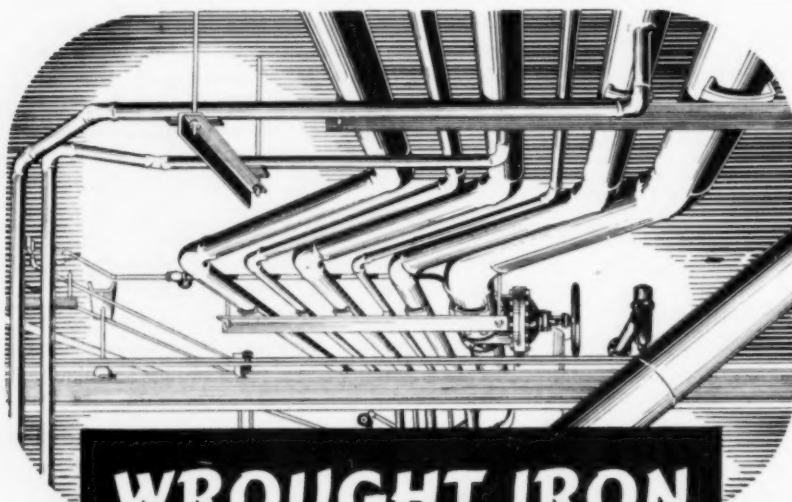
FOR an American business executive, the "labor problem," as it is called on academic platforms, breaks down into certain specific questions. These questions, put to British business executives—and to British labor leaders—by Edward J. Mehren, formerly a vice-president of the McGraw-Hill Co., publishers of *Business Week*, brought answers based on British experience. These answers make up the story beginning on this page.

They show the practical application and results of the British system of *voluntary* labor settlements which was described in the July 2 issue of *Business Week* on the basis of Mr. Mehren's study. They anticipate the findings of the commission which President Roosevelt is sending abroad to study British labor relations this summer.

displacing effect of elaborated machinery. But it knows, too, through its long education in the economies of industry over the negotiating table and through its researches, that an ascending standard of living is possible only by augmenting income per worker—by having a bigger pot to divide. Therefore, it no longer opposes the introduction of labor-displacing machinery, but insists, first, that labor share in the fruits of the lower production cost and, second, that the introduction be in such wise as to cause as little hardship as need be to the workers affected. One union leader put it in this wise. "The introduction of improved machinery, processes and methods cannot soundly be opposed. But we do insist that their introduction shall not be detrimental to the standard of living of the worker."

Less Pressure from Unions

Again we fear the constant pressure of the unions. "A labor leader must constantly be getting something for his members. Otherwise he can't hold his job"—so runs our expression. Many employers in Britain were asked whether that was the British experience. They answered that that was the experience in the early days of trade union effort; not now. In the early stages labor was not well treated. With a large area demanding change, naturally the union leaders gave themselves and the employers little rest between one concession and a new demand. Now, the situation is different. On the whole, conditions of employment are much better—wages,



WROUGHT IRON Pipe for Corrosive Services

● You, as an executive interested in making a profit for your company, know that corrosion in plant equipment is one of the factors that works against this objective. If your engineers are frequently asking for approvals on expenditures for new piping systems or replacements, ask if they have investigated the

economy of wrought iron. We have a booklet entitled, "Wrought Iron for Piping Systems," which tells all the facts. It is available without charge. A. M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

BYERS

GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

"If you insure a man today, he might die tomorrow. And you'd have to pay the face value of his policy. How can you work out life insurance rates when you have to take such chances?"

AH, but no chances are taken.

Who will die this year? Nobody knows.

How many will die this year? Experience provides a practical answer to that.

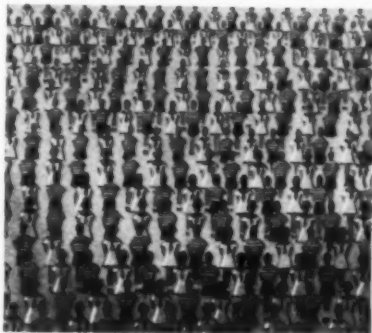
Did you ever hear of a *mortality table*? It is a table that shows the number of people in any given age group who have died each year.

Mortality tables are based on *past* experience and become measuring rules for the *future*. Many mortality tables are available. The selection of a particular mortality table by a life insurance company depends upon its suitability for the group which is insured.

Let us take the mortality table that is written into the insurance laws of most states and see how this table works. What does it show?



We don't know who will die— but we know how many



Take 1000 youngsters at the carefree age of ten.



Twenty years later, at the age of *thirty*, this table shows that 146 of these 1000 youngsters will be dead.



At forty, life may *begin* for some of them, but according to this table it will have *ended* for 219 of the 1000.



At age fifty, 302 of the group will have passed on. 698 will still be alive.



At sixty, 579 remain alive of the original 1000.



At seventy, 386 remain to refute the saying that man's life is but "three score years and ten."



At eighty, of our original 1000 youngsters, there still are 145 left, and at least 8 of them will live to be ninety.

Thus, the number of people who are expected to die each year, according to the mortality table, is an important factor in working out safe and fair life insurance premiums. In mutual or participating life insurance, any saving resulting from the difference between expected and actual deaths is reflected in dividends to policyholders, and this is true no matter what table is used.

This is Number 3 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of the preceding advertisements will be mailed upon request.

Metropolitan Life Insurance Company
(A MUTUAL COMPANY)

Frederick H. Ecker,
Chairman of the Board
Leroy A. Lincoln,
President

1 Madison Avenue, New York, N. Y.





Saves mailing time— ... cuts postage costs!

IT TAKES less time to *print* a stamp than it does to stick one! The Postage Meter imprints a meter stamp, postmark and advertising slogan in one operation; seals envelope flaps neatly, swiftly, efficiently; makes the end-of-the-day mailing a matter of minutes.

The Postage Meter does away with the old-fashioned stamp, obviates the keeping of stamp stocks in various denominations. Because the Postage Meter prints *just* the stamp you want *when* you want it! With the

right denominations always on hand, postage expense goes down in even the most careful offices. And the Postage Meter keeps postage that nobody can steal or misuse. The postoffice sets the Meter—tamperproof, foolproof, theftproof!

THERE IS a Postage Meter model for every office, large or small. Get a demonstration in your office, on your own mail; and prove, as thousands of progressive firms have—that the Postage Meter saves mailing time, cuts postage costs!



THE POSTAGE METER CO.

801 Pacific Street, Stamford, Conn.

PITNEY METERED MAIL BOWES

Offices in principal cities
Consult your telephone directory

hours, working conditions. There is less complaint amongst the workers; there is less pressure on leaders. Moreover, the leader still does much for his men. It may not be in repeated major advances, but in what one might call the service work of getting prompt settlement of complaints on minor but upsetting matters.

Then again, the education of the workers has gone hand in hand with that of the leaders; they have learned that they cannot expect their leaders to get unreasonable concessions.

Other factors have tended to reduce the frequency of demands. Bargaining is between employers' organizations and unions. The individual employer does not have to bear the load alone. Again, the tendency is more and more toward national agreements on the major items of negotiation, wages, hours, overtime rates.

Negotiating Leaders Emerge

Finally, and for the reasons already detailed, we fear contact with union officials; not physical fear, but dislike of dealing with men whose early argument, at least in the more recently organized trades, is a figurative club—their ability and willingness seriously to interfere with our operations, unless they get their way.

What is the British experience? They had this type in the early days. In some trades those early days are so long past that no one active today in labor or management has had personal experience with them. In other trades, the change in type came about at the beginning of the century; in fewer still, after the war. As one employer put it, "It took 30 to 50 years for the negotiating, sane type of union leader to come to the top. We're at least a generation ahead of America in this respect."

The British employer says, too, that he and his employers' organizations have helped to develop the negotiating type of union leader by their willingness to talk out any problem on the basis of fact and principle.

Oppose Compulsory Arbitration

What impresses the inquirer most in asking about labor adjustment here is the determined, yes, the vigorous opposition of both unions and employers to any form of compulsory conciliation or arbitration. To the direct question, "Why?" asked of both employers and union leaders, there were many answers. Some objected because it took wages, hours, etc., out of economics and the factual zone and put them into politics. The politician who promised the highest wage would get the votes. Union leaders, too, feared this political determination of such vital matters. They might fare

well if a labor government, with a comfortable majority, were in power, but badly under Conservative administration. One keen young labor leader put his opposition on this sound ground: "I'm opposed to compulsion because if you force terms upon men they'll seek at once to get around them. If they reach agreements voluntarily, they'll stand by them loyally."

Dealing With Chiseler Problem

The experiment in the cotton industry, of the legal enforcement of voluntary agreements, prompted a question that will interest every American business executive. "How," it was asked, "do you, under the system of voluntary agreements, handle the chiseler—the manufacturer who will not join your labor negotiating association, who is thus not bound by the agreement, pays lower wages, works longer hours, and uses his lower costs to cut prices."

The answer was that, if he be a small producer, with a negligible output, and if persuasion has no effect, he is just left to run his nefarious course. When his production becomes sizable, the unions move in on him, organize his plant and force him to come under the agreement.

Another influence upon the chiseler in some trades is the purchasing policy of public authorities, who nearly always make it a condition of contract that the wages and conditions paid and observed by the contractor shall not be less favorable than those paid and observed by good employers in the same trade. Obviously, these wages and conditions will be those set forth in the union agreements in the particular trade.

Unionization Taken for Granted

It is apparent from what has been said that the basic approach of the British employer is different from ours. He takes it for granted that his men will be unionized. He does not resent it. He does not resist it. But to match the strength of united workers, he, too, forms a union—an association of employers. Bargaining is then between two groups—all, or mostly all, of the operators on one side, all the operatives on the other.

The continent of Europe has been through social and political upheavals, in Italy, Germany, Spain, Russia, France, and the end is probably not yet. Here, hard by, sits Britain, comparatively unaffected, going on in a steady way. One wonders whether Britain's treatment of labor—as a partner in the industrial enterprise, as a group that has a right to be heard because of its interest in the businesses that give its members a livelihood—is not an important factor in this remarkable stability.

THE

Choice OF BANKS

**299 OF THE 300
LARGEST COMMERCIAL BANKS
AND 3,600 OTHER BANKS
USE**

Addressograph

TRADE MARK

THE advantages in accuracy, speed, and legibility that make Addressograph Methods valuable to banks apply with equal benefit to manufacturers, wholesalers, retailers and other business groups, membership organizations, and governmental departments.

Writing names, with addresses or other related information, on forms, records, reports or communications, is work that is done in every business office. And wherever it is done, there is a definite need for Addressograph.

A complete name, with address, number, amount or other information, is written with one swift motion by the Addressograph. The writing is done from a metal typing unit through a ribbon, with or

without carbon copies, and equals the best typewriting.

Waste of time and money are avoided. Costly mistakes are eliminated. Valuable records, on which progress depends, are protected against fire and water hazards.

INVESTIGATE! Learn how Addressograph Methods can be used profitably in your business. A representative near you will be glad to explain. Listing in principal city telephone directories is "ADDRESSOGRAPH SALES AGENCY." If you prefer, write on business stationery to Head Office in Cleveland.

ADDRESSOGRAPH-MULTIGRAPH CORPORATION, Cleveland, Ohio

ADDRESSOGRAPH-MULTIGRAPH
OF CANADA, LTD., TORONTO

*Every Business and Organization can profit by
Addressograph Speed, Accuracy and Legibility in handling:*

Advertising
Collections
Customer lists
Delinquent
accounts
Employee records
Installment
accounts
Inventory lists
Invoicing

Manufacturing records
Membership lists
Order writing
Payroll
Prospect lists
Publication lists
Sales promotion
Shipping forms
Social Security reports
Social service

Stockholder lists
—and in **GOVERNMENT**:
Assessment records
Licenses
Motor vehicle registration
Payroll
Relief
Tax collection
Public service bills
Voters' lists

ADDRESSOGRAPH SALES AGENCIES IN PRINCIPAL CITIES

Hunt the Marketing Lowdown

Thousands of WPA canvassers are ready to begin thorough investigation of effects of all those state laws that have got you so confused.

WASHINGTON (*Business Week Bureau*)—Field work in WPA's survey of price maintenance and other marketing laws will start by July 15. It's a tremendous fact-finding job, not an anti-trust inquiry. WPA's survey staff isn't interested in the conduct of particular concerns or trade associations—that's the business of the Department of Justice and Federal Trade Commission. What WPA is interested in is the effect of the rapidly increasing number of permissive, restrictive, or prohibitory laws on the volume of business, prices, marketing channels and merchandising policies.

It's Not Boondoggling

Nor is it a boondoggling project, although a white collar staff of several thousand will be recruited from relief rolls. Its budget will run at least \$1,000,000, maybe twice that. Like other WPA-sponsored projects, it is subject to sudden stops when money runs low. It's all rather uncertain but the research program has been planned so that, if it is interrupted, certain phases at least will be completed.

The survey has two main divisions, legal and economic, in which a cross-country canvass of the effect on prices and on consumer sentiment of state marketing laws will be underlaid by a compilation and analysis of such laws and of court decisions and administrative practices.

Today 43 states permit manufacturers to fix minimum resale prices; 24 have laws to stop manufacturers and wholesalers from giving preferential prices to some customers; and 18 states prohibit sales below cost. All of these laws are related to the federal Robinson-Patman anti-price-discrimination act, and the Tydings-Miller act, which lifts anti-trust penalties from manufacturers who fix minimum resale prices under state laws.

Consumers' Attitude Crucial

Some states also lay heavy taxes on chain stores, impose licensing fees, set up "ports of entry," prescribe various forms of "quarantine" against certain types of business. Nobody is familiar with them all. Consumers have been told that they are hurt by "fair trade" (minimum resale-price fixing) and similar types of legislation. They have been told that they are helped. (This week, for example, the Pepsodent Co., an old friend of the "fair trade" laws, took four pages in *Drug Topics* to tell

retailers that, according to the Nielsen Drug Index, consumers have been saving 1¢ to 5¢ per package on all Pepsodent products since the introduction of "fair trade.") What do the consumers think has been done to them? Nobody knows, yet the success or failure of these laws depends, like prohibition, upon the consumers' attitude because, right or wrong, that's what guides their buying habits.

WPA's economic survey is designed to reveal what is actually happening, so that legislators, lawyers, and business men can see the complete picture of marketing regulations.

Local surveys to get retail price data and sound consumer reaction will soon be under way in 15 states. The states and the number of canvassers assigned to each are: New York (578), California (525), Missouri (310), Illinois (446), Ohio (534), Louisiana (161), Texas (329), Massachusetts (332), Tennessee (236), Wisconsin (242),

District of Columbia (96), Maryland (200), Pennsylvania (494), New Jersey (362), and North Dakota (91).

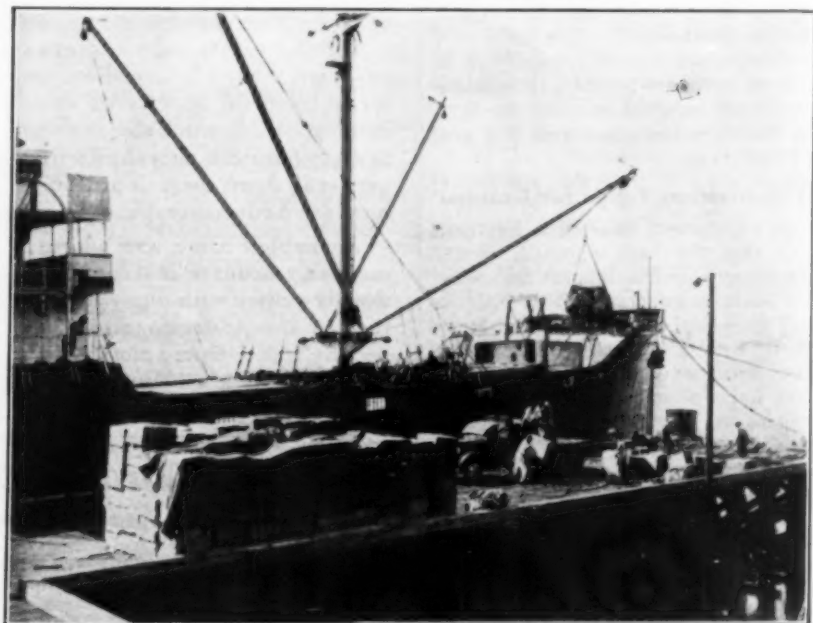
If the money holds out the survey will be extended to include Utah, Nebraska, Delaware, Minnesota, Alabama, Georgia, Florida, New Hampshire, Vermont, and Kansas; maybe later to Arizona, Oregon, Maine, Michigan, and Colorado; and finally to North Carolina, Connecticut, Indiana, Washington, Virginia, Montana, and West Virginia. Supervisory offices will be set up in each community included in the retail survey; in all, about 200 communities in 37 states if the survey is carried to the full extent planned.

Products to Be Investigated

The commodities tentatively selected for initial coverage are drugs, toiletries, and sundries; foods—canned, dried, frozen, and packaged; tobacco, particularly cigarettes; liquor. Special studies of other articles will be made in certain localities, probably including books in New York, radios in Chicago and elsewhere, fertilizer in North Carolina and South Carolina and possibly other states, jewelry and watches in selected localities.

For subsequent studies the staff is considering selection of men's and

Paper Mill Revives Old Seaport



A CENTURY and a half ago, Fernandina, Fla., the second oldest settlement in the country, was the busiest port south of New York on the Atlantic coast. In the next century, Fernandina's shipping dwindled away to nothing. But recently, the S. S. *Maltran* loaded at Fernandina the first water shipment of

paper pulp made from Florida's slash pine, and now the town has hopes of a shipping revival. Container Corp. of America, the shipper, plans more water shipments from its new Fernandina mill (*BW*—Jan 22 '38, p. 39), first unit in a \$9,000,000 building program undertaken in the South.

women's accessories; electrical appliances, including radios; hardware; automobile accessories; fertilizer; oil, and building materials.

Great care will be taken to assure that figures obtained are really representative of localities, types of business and products. For example, the list of drug store items, in which resale price maintenance has its greatest application, will include special proprietary items, standard products advertised to the public, standard "ethical" products sold under their trade names, chemical and pharmaceutical items sold with little emphasis on the name of the maker, and a few standard common prescriptions. The list will include patented items and others not covered by patents in order to determine the effect of patent protection on price behavior under the price maintenance laws.

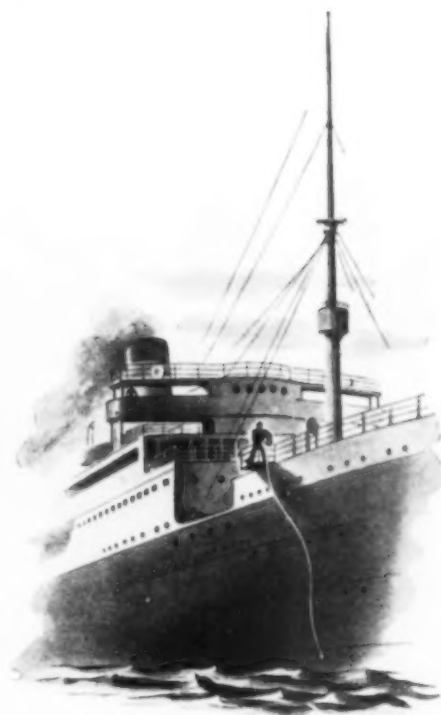
Study Question of Brands

The comparison of national brands with private distributors' brands or no brands at all will be made to throw light upon one of the most controversial issues forced to the front by fair trade laws—the extent to which consumer preference has shifted from one to the other type. The merchandise also will be classified according to the manner of its advertising, whether by radio, newspapers, periodicals, or at point of sale. The selection also will cover mass appeal products and others designed for a "class" market.

For each of the products selected, the prices, markups, and sales volume will be compiled for periods both before and after the "fair trade" laws were enacted. The product survey will be supplemented by questionnaires concerning the attitude of manufacturers, wholesalers, and retailers towards the laws and their operating experience under them. The consumers will be interviewed to learn whether they now buy more goods from their neighborhood independent than from the chain store, whether they have switched from nationally-advertised to private brands or *vice versa*.

Heading the Survey

The survey chiefs are: director, A. H. Martin, Jr., an automobile sales executive who came to Washington from Texas a few years ago to serve as an executive assistant to Sec. Ickes in the Public Works Administration and to Frank Walker in the National Emergency Council; legal consultant, S. Chesterfield Oppenheim, a specialist in the field of trade regulations, on leave from George Washington University Law School; and associate directors, Prof. John H. Cover, from the University of Chicago School of Business, and Mark Merrell.



Take Your Soundings

Charting your course of life by dead reckoning alone is an uncertain procedure . . . and unnecessary.

For there's a man available to take your insurance soundings . . . discover the reefs and shoals . . . help you find the channel of security.

This man is the *Standard Agent* . . . one of 9000 such able consultants throughout the nation. Call on him for a professional survey of your Casualty Insurance and Bonding needs.

Standard Accident of Detroit, financially sturdy and with a coast-to-coast claim service, protects against financial losses due to illness; injury to self, employees, and public; burglary; automobile accident; dishonesty; and a host of other hazards.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

MANUFACTURING FACILITIES

FOR THE FINANCIALLY RESPONSIBLE

If you have a metal product of unquestionable merit—and a sales organization—but prefer to place manufacturing responsibility elsewhere, and in capable hands, you will be interested in what our client has to offer. Modern manufacturing facilities which are unlimited for the manufacture of machinery or machinery parts—skilled workmen who respect precision—plus financial responsibility and a reputation for good work are available to the business man who is also financially responsible but prefers to concentrate on the sale of his product. This client enjoys an excellent rating in Dun & Bradstreet and will be happy to exchange references. Write us in detail about your product and your manufacturing requirements. It will be referred to our client promptly.

THE JAY H. MAISH COMPANY

Market Counselors

MARION

OHIO



Approximately 489,000 carloads of freight weighing more than 21,000,000 tons was shipped by rail in 1937 by Koppers Company, its subsidiaries and its principal affiliate, and Koppers freight bill was more than \$46,000,000. The Koppers shipments moved over 340 railroads and comprised more than 300 different products.

These and other facts about Koppers nation-wide producing and building operations are contained in the Koppers Yearbook. Send for a copy.

KOPPERS COMPANY • PITTSBURGH

Boiler and Power Plants • Castings • Coal and Coke • Coal Cleaning Plants • Coke and Gas Plants • Creosote • Dehydration Plants • DHS Bronze • Fast's Couplings • Fire Hydrants • Industrial Chemicals • Municipal Incinerators • Piston Rings • Plate-Work, Tanks • Purification Systems • Recovery Plants • Sewage Disposal Equipment • Ships and Barges • Roofing • Tarmac Road Tars • Tar Products • Treated Timber • Water Gas Generators • Waterproofing • Valves

KOPPERS

What Brands Sell Best?

The answer which Scripps-Howard newspapers find in their Pantry Shelf inventory in 16 cities isn't conclusive—but it's significant in many respects.

BACK in 1932 the Cleveland *Press* be-thought itself of a smart promotion stunt which it called the Pantry Shelf survey. The *Press* paid 30¢ apiece to members of Cleveland's Parent-Teachers Associations and Church Aid Societies who would fill out lengthy questionnaires asking them what specific products were in use in their homes at the time. The resulting information furnished a fairly accurate picture of the buying habits and brand preferences of Cleveland's housewives—and,

more importantly, supplied the *Press* advertising department with some potent sales ammunition.

Last October, Scripps-Howard, owner of the chain of newspapers of which the Cleveland *Press* is a link, decided to do a nationwide job on the Pantry Shelf survey. From October through December, Scripps-Howard quizzed 53,124 housewives in 16 cities—Buffalo, Washington, Pittsburgh, Akron, Cleveland, Columbus, Toledo, Cincinnati, Evansville, Indianapolis, Knoxville, Birmingham, Fort Worth, Houston, San Diego and San Francisco. The results of this study (see table opposite), are to appear shortly, packed into two heavy volumes, and selling at an announced price of \$50. (Interested advertising managers and agencies can expect free presentations, however.)

An Urban Inquiry

Scripps-Howard doesn't claim that it has a national survey; it refers to it as "nationwide." But even as such it can be criticized on the grounds that it is topheavy in Ohio—which is represented by 5 cities. And though the survey offers unlimited temptations for sweeping generalizations, no observations about what the whole American public buys and uses can be justified by its findings. It's a strictly urban study—and a strictly limited one. There will be some value in its revelation of brand preferences, but its greatest value will lie in its measurement of the degree of saturation of some of the products it tackles. Thus coffee was found in 93.3% of the homes surveyed, but soft drinks in only 26.1%. Face powder was found in 82% of the homes, but only 69% had toothbrushes. Radios boasted a 91.4% saturation, but mechanical refrigerators were found in only 59.7 of the homes.

Ranking in the Market

Some products completely dominate their respective fields, nationally, as well as in each city. In cheese, Kraft dominates the market, claiming 72.1% of all packaged cheese sales in the cities surveyed. In the soft drinks field (exclusive of ginger ale) Coca-Cola accounts for 43.1% of the volume. In tomato soup Campbell claims 77.5% of the market. In razor blades Gillette can boast 63.1% of the 16-city market, and in electric razors Schick accounts for 70.5%.

In other fields the going is tougher, and four or five brands fight it out for

W
Peek
shaving
his wife
a great
newspa
that cu
medici
results
picture

Brand

Gr

CATSU

had 28,

Heinz

Del Mo

Ann Pa

Sokely

C.H.B.

Soler's

Others

CEREAL

had 71

Wheatie

Shredde

Kellogg

Flaker

Post To

Kellogg

Krisp

Quaker

Whea

Kellogg

Brans

Post G

Shredde

Quaker

Rice

Post

Flake

Kellogg

Gr a p

Flake

Heinz R

Post H

P o s

Brans

Others

CHEESE

homes

ages.

Kraft

Borden

Pabst

Swift

Others

COFFEE

had 4

Eight

Maxwe

Chase

Hills

Bokar

Beech

Jewel

Red 1

Folger

Admir

French

Fisher

Jewel

Others

FLOUR

homes

Gold

Pillsb

Sunny

Drifte

E Z

White

Light

Globe

Hecke

Other

FLOU

(50.3

Swans

Softas

Sno 3

Other

MAY

(25.3

Kraft

Best

Helln

Sanic

Blue

Supre

Durk

Other

What Products and What Brands Are Used in 53,124 Homes

Peeking in the medicine chest to see what kind of shaving cream your host uses or what kind of face powder his wife prefers is a favorite American pastime, born of a great national curiosity. Last fall, the Scripps-Howard newspapers in the name of marketing research exploited that curiosity on the grand scale, studied the contents of medicine chests, pantries, and garages in 16 cities. The results, summarized below, do not constitute an exact picture of America's preferences in foods, drugs, cos-

metics, and automotive products, for no attempt was made in this random survey to classify families by income or geographical distribution. But as the most ambitious sampling of products actually in use, the survey this week was commanding the attention of sales and advertising men, who were primarily interested in its measure of market saturation for various products, and was satisfying the friendly interest of the general public in what the people next door were using.

Brand	No. of Homes	% of Total	Brand	No. of Homes	% of Total	Brand	No. of Homes	% of Total	Brand	No. of Homes	% of Total
Grocery Products						REFRIGERATORS — 31,724 homes (59.7%) had 31,796 units.					
CATSUP — 28,898 homes (54.4%) had 28,973 bottles.						Atwater Kent... 2,749 4.8					
Heinz	11,709	40.4				Zenith	2,595	4.5			
Del Monte	1,521	5.2				Crosley	2,615	4.5			
Ann Page	1,351	4.7				Silverstone	2,188	3.8			
Scokely	1,060	3.6				General Electric	2,146	3.7			
C.H.B.	715	2.5				Spartan	1,130	2.0			
Snider's	667	2.3				Bosch	974	1.7			
Others	11,950	41.3				Grunow	926	1.6			
CEREAL — 41,197 homes (77.5%) had 71,259 packages.						Stewart-Warner 856 1.5					
Wheaties	8,816	12.4				Emerson	815	1.5			
Shredded Wheat	8,361	11.7				Others	16,903	29.2			
Kellogg's Corn Flakes	7,796	10.9									
Post Toasties	5,860	8.2									
Kellogg's Rice Krispies	5,485	7.7									
Quaker Puffed Wheat	3,946	5.5									
Kellogg's All-Bran	3,583	5.0									
Post Grape-Nuts	3,534	5.0									
Shredded Ralston Quaker Puffed Rice	2,737	3.8									
Post Bran Flakes	2,420	3.4									
Kellogg's Pep-Nuts	2,223	3.1									
Grape-Nuts	1,509	2.1									
Heinz Rice Flakes	1,328	1.9									
Post Huskies	975	1.4									
Post Whole Bran	938	1.3									
Others	689	1.0									
Others	11,059	15.6									
CHEESE (Packaged) — 22,248 homes (41.9%) had 25,223 packages.						RAZOR BLADES — 29,607 homes (55.7%) had 29,805 packages.					
Kraft	18,173	72.1				Gillette 13,548 45.4					
Borden	1,498	5.9				Gem 2,928 9.8					
Pabst	962	3.8				Probak 1,448 4.9					
Swift	385	1.5				Star 1,359 4.6					
Others	4,205	16.7				Autostrop 1,053 3.5					
COFFEE — 49,564 homes (93.3%) had 49,987 packages.						Others 9,469 31.8					
Eight O'Clock	7,435	14.9				RAZORS (Electric) — 4,786 homes (9.0%) had 4,799 razors.					
Maxwell House	6,169	12.3				Schick 3,383 70.5					
Chase & Sanborn	5,673	11.4				Packard 900 18.7					
Hills Bros.	1,774	3.5				Hanley Clipshave 50 1.0					
Bokar	1,473	2.9				Others 466 9.8					
Beech-Nut	1,210	2.4				SHAVING CREAM (Lather) — 16,609 homes (31.3%) had 16,680 tubes.					
Jewel	1,144	2.3				Palmolive 4,023 24.1					
Red Circle	1,109	2.2				Williams 2,839 17.0					
Folger's	1,062	2.1				Colgate 2,011 12.1					
Admiral	905	1.8				Lifebuoy 1,654 9.9					
French Brand	895	1.8				Ingram 944 5.7					
Fisher's	886	1.8				Mennen 922 5.5					
Jewel Tea Co.	865	1.7				Yardley 662 4.0					
Others	19,387	38.9				Others 3,625 21.7					
FLOUR (All-Purpose) 50,379 homes (94.8%) had 50,596 bags.						SHAVING CREAM (Brushless) — 10,225 homes (19.2%) report 10,302 items.					
Gold Medal	19,083	37.7				Barbasol 2,502 24.3					
Pillsbury's Best	7,088	14.0				Burma-Shave 1,764 17.1					
Sunnyfield	2,099	4.1				Mollé 1,720 16.7					
Drifted Snow	1,605	3.2				Palmolive 1,249 12.1					
E. Z. Bake	1,599	3.1				Colgate 359 3.5					
White Lily	1,530	3.0				Mennen 326 3.2					
Light Crust	1,369	2.7				Williams 323 3.1					
Globe A-1	1,355	2.7				Others 2,059 20.0					
Hecker's	834	1.6				TOOTH PASTE — 34,328 homes (64.6%) had 39,280 tubes.					
Others	14,034	27.9				Ipana 7,569 19.3					
FLOUR (Cake) — 28,720 homes (50.3%) had 26,809 packages.						Colgate 7,560 19.2					
Swans Down	18,333	66.2				Pepsodent 7,218 18.4					
Softasilk	4,034	14.6				Listerine 2,385 6.1					
Sno Sheen	2,056	7.4				Kolyon 1,609 4.1					
Others	2,386	11.8				Squibb 1,545 3.9					
MAYONNAISE — 13,418 homes (25.3%) had 13,483 jars.						Phillips 1,178 3.0					
Kraft	3,209	23.8				Iodent 1,156 2.9					
Best Foods	2,940	21.8				Pebeco 935 2.4					
Hellman's	1,803	13.4				Dr. West 877 2.2					
Sanico	473	3.5				Forhan's 712 1.8					
Blue Plate	267	2.0				Others 6,536 16.7					
Supreme	185	1.4				TOOTH POWDER — 24,516 homes (46.1%) had 24,989 cans.					
Durkee	184	1.4				Lyon 8,972 35.9					
Others	4,422	32.6				Pepsodent 4,958 19.8					
SALAD DRESSING — 31,776 homes (59.8%) had 32,481 jars.						Calox 2,552 10.2					
Kraft Miracle Whip	16,765	51.6				Colgate 1,046 4.2					
Ann Page & Iona	9,251	16.2				Revelation 813 3.3					
Country Club & Embassy	1,051	3.2				Vince 489 2.0					
Green & Gold	427	1.3				Squibb 326 1.3					
Best Yet	328	1.0				Others 5,833 23.3					
Best Foods	317	1.0				TOOTH BRUSHES — 36,662 homes (69.0%) had 41,790 brushes.					
Others	8,342	25.7				Dr. West 13,023 31.1					
SOAP (Laundry) — 41,166 homes (77.6%) had 47,205 bars.						Pro-phy-lactic 5,048 12.0					
Fels Naptha	12,857	27.2				Fuller 3,252 7.8					
P. & G.	8,431	17.9				Tek 2,710 6.4					
Octagon	7,565	16.0				Others 17,757 42.7					
Ivory	6,267	13.3				Household Appliances					
Others	12,087	25.6				RADIOS — 48,535 homes (91.4%) had sets.					
SOAP (Toilet) — 49,984 homes (94.1%) had 69,589 bars.						Philco 12,966 22.4					
Lifebuoy	12,789	18.4				RCA 6,220 10.8					
Lux	12,622	18.1				Majestic 4,709 8.1					
Palmolive	11,424	16.4									
Ivory	10,420	15.0									
Camay	9,521	13.7									
Woodbury	3,695	5.3									
Sweetheart	1,253	1.8									
Cashmere Bouquet	1,098	1.6									
Octagon	1,008	1.4									
Others	5,759	8.3									
SOFT DRINKS — 13,886 homes (26.1%) had 15,910 bottles.											
Coca-Cola	8,143	45.1									
7-Up	914	4.8									
Pepsi-Cola	665	4.2									
Hires Root Beer	554	2.8									
Others	5,656	45.1									
SOUP (Tomato) — 27,941 homes (52.6%) had 28,162 cans.											
Campbell	21,837	77.5									
Heinz	2,606	9.3									
Phillips	1,201	4.3									
Barbara Ann	851	1.2									
Van Camp	294	1.0									
Others	1,873	6.7									
TEA — 41,156 homes (77.5%) had 41,382 packages.											
Lipton	10,171	24.6									
Salada	6,105	14.7									
Tender Leaf	5,851	14.2									
Tetley	1,605	3.9									
Nectar	1,293	3.1									
Others	16,357	39.5									
Drugs and Cosmetics											
COLD CREAM — 33,386 homes (62.5%) had 31,379 jars.											
Pond	9,538	30.4									
Lady Esther	4,712	15.0									
Woodbury	3,758	12.0									
Elmo	820	2.6									
Harriet Hubbard Ayer	740	2.3									
Daggett & Ramsdell	580	1.8									
Avon	523	1.7									
Max Factor	519	1.6									
Luxor	396	1.3									
Helena Rubinstein	338	1.1									
Others	9,455	30.2									
FACE POWDER — 43,546 homes (82.0%) had 43,875 boxes.											
Lady Esther	7,815	17.8									
Coty	4,768	10.9									
Woodbury	4,296	9.8									
Luxor	2,752	6.3									
Max Factor	2,260	5.1									
Pond	2,082	4.7									
Harriet Hubbard Ayer	1,391	3.2									
Avon	1,038	2.4									
Evening in Paris	888	2.0									
Others	15,198	34.6									



Alike ? NO! BUT THEY LOOK ALIKE

The wines in these two glasses are identical in color; a clear, rich red. Both have the same name. But the flavor; the bouquet—what a difference!

Wire ropes that look exactly alike may differ just as widely. Put them to work under identical conditions, and the difference in their ability to endure will manifest itself—but not before.

Like the differences in wines, the differences in wire ropes are determined largely by the materials used, the methods of manufacture, the manufacturer's experience and his desire to excel. 62 years making nothing but wire rope, and strict adherence to the highest ideals, enable this company to select wire and to make it into rope of remarkably long life and economy.

In "Flex-Set" Preformed Yellow Strand these qualities reach amazing proportions; for preforming the wires and strands puts into wire rope valuable properties impossible to attain before the preforming process was developed.

This "plus" quality of "Flex-Set" Preformed Yellow Strand makes it particularly suitable for use in road building, general construction, logging, mining, rotary drilling, plant operation.

Wire rope users have only to try "Flex-Set" to prove its economy in their operations.

BRODERICK & BASCOM ROPE CO., St. Louis

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria.
Manufacturers of all grades and constructions of wire rope, preformed and standard, for every purpose.

"FLEX-SET" PREFORMED YELLOW STRAND

top spots. In cold cereals, for example, Wheaties were found in 12.4% of the homes, Shredded Wheat in 11.7%, Kellogg's Corn Flakes in 10.9%, and Post Toasties in 8.2%. In toilet soap, there is Lifebuoy with 18.4% nosing out Lux with 18.1%, and Palmolive, Ivory and Camay are close behind.

National and Local Pictures

In these cases the national picture is far different from that in the individual cities. Nationally, for example, Gold Medal Flour is the leader, with 37.7% of the market. In Knoxville the favorite flour is White Lily (in sixth place nationally), which takes 74.5% of the local market. In Knoxville Gold Medal Flour gets only 1.4%. In San Francisco the leading flour is Drifted Snow (in fourth place nationally), which has 39.7% of the market. Gold Medal has 33.3% here. Get around to Washington, however, and Gold Medal is in first place there—73.4%.

Coffee presents an even more confusing picture. The leading coffee brand nationally is the Great Atlantic & Pacific Tea Co.'s Eight O'Clock—though its share of the market is only 14.9% and Maxwell House with 12.3% and Chase & Sanborn with 11.4% trail close behind.

However, the field is crowded with local and sectional brands, and although no one of them accounts for more than 1% of the national total, together they capture 32.9% of the market. In Knoxville, the leading coffee brand is J.F.G., which takes 37.5% of that market; in Fort Worth, Folger's leads with 37.3%; in Houston it's Admiration with 34.0%, in San Francisco it's Hills Bros. with 32.5%, and in Washington it's Wilkin's with 19.3%.

Place of Private Brand

It is in coffee, incidentally, that the private brand, owned by a distributor rather than a manufacture, rises to the zenith of its power. A&P's fast-selling, low-priced coffees—Eight O'Clock, Bokar, and Red Circle—hold three of the top eight places, and together account for a round 20% of the national market. A&P's Ann Page brand ranks third in catsup and second in salad dressing.

The private brand shows up again in the refrigerator list, where Sears, Roebuck's Coldspot takes seventh place with a figure of 7.4% and in tires, where the Sears All-State boasts 3.8% and of the Atlas casing of Standard Oil Co. of New Jersey accounts for 23.7%.

Discreetly, Scripps-Howard makes no breakdown to show how distributor brands compare generally with the advertised products, but it is apparent from the detailed schedules on various product lines that the minute per-

tages accounted for by individual private labels would bulk up into an appreciable total.

Incidental information: Buick rates eighth in the list of new car preferences, but hops to fourth in the list of used cars.

Of the automobiles covered in the survey, 12.4% were bought in 1929 or earlier. San Diego has the highest percentage of used cars.

San Diego rates lowest in coffee purchases, highest in Postum.

In the paste rouge field 79.4% of total sales were accounted for by brands holding less than 1% each.

Of such facts as these is the survey made. Some are new; some are old. Some obvious, some surprising. But all of them packed with some significance to advertisers—their sales managers, advertising managers, and advertising agencies.

Big Distillers Happy

Schenley and National hear welcome news from Pennsylvania Supreme Court.

NATIONAL DISTILLERS and Schenley executives celebrated the Glorious Fourth with special emphasis because of a court declaration which frees them from a long-standing legal hazard. On June 30 the Supreme Court of Pennsylvania ruled that the big liquor companies would not have to pay the floor tax which the state had claimed since the days of repeal (*BW—Dec 18 '37, p.37*).

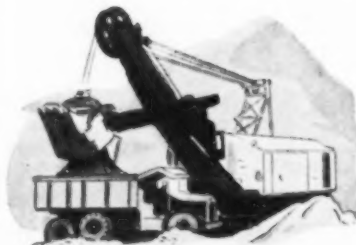
The court declared the floor tax unconstitutional under the uniformity clause of the Pennsylvania constitution. That ought to end the matter, since the United States Supreme Court habitually refuses to review any case involving a state's constitution which has been decided by that state's highest court. In effect the decision supports the contention of the defendant's attorneys that the floor tax was discriminatory and confiscatory.

\$2 per Gal. Tax Involved

The floor tax was passed in November, 1933, during the Pinchot régime. It levied \$2 per gal. on liquor warehoused in Pennsylvania at the time. National Distillers and Schenley were the principal targets, since these leaders of the industry owned nearly all the old stocks. Schenley was liable to a maximum loss of \$7,188,000, and National to a maximum of \$1,928,000. Both companies had carried in their reserves amounts to cover possible assessments. They can now sigh with relief and proceed to allocate those handsome sums to any activity they choose.

The List of General Truck Tire Users reads like a

"WHO'S WHO" OF BUSINESS!



IN every field of hauling, from baking to construction, the outstanding operators usually depend upon General Truck Tires for money-saving, uninterrupted performance.

General has earned this marked preference because while it costs more to build a General, thousands of operators know it costs less to use Generals.

General Truck Tires have always been built stronger—to do their work better—deliver greater mileage and haul more payload.

See your General Tire dealer. He may be able to reduce your costs materially.

THE GENERAL TIRE & RUBBER CO. • AKRON, O.

In Canada: The General Tire & Rubber Co., Ltd., Toronto



The General C. D. is one of General's complete, specialized line of truck tires for every requirement. On the operations for which it is suited users are doubling and tripling their mileage—for the slight extra initial price of the C. D. over the ordinary type.

GENERAL TRUCK TIRES



METAL BUILDINGS

Insulated!

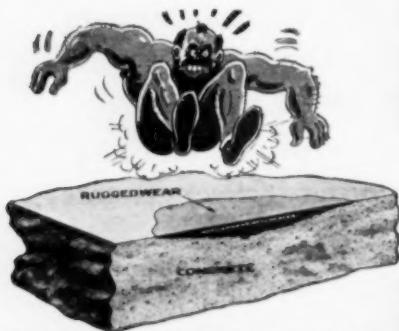
Built to A. I. S. C. specifications. Insulation optional at slight extra cost. Standard or designed to your requirements. Find out why Maryland Metal Buildings can be built and maintained at the lowest cost per square foot of floor space.

MARYLAND METAL BLDG. CO., BALTO., MD.

MARYLAND METAL BUILDINGS

See

WOODSTOCK TYPEWRITERS



REPAIR CONCRETE TO A TOUGH, FEATHER EDGE!

RUGGEDWEAR, made with cellulose, is the one resurfacer that may be depended upon to make a smooth, solid, permanent patch, right up to a feather edge.

Stop accidents . . . improve plant efficiency . . . use this durable material for repairing holes, ruts and cracks in concrete floors. Stands up under the heaviest floor traffic. No chopping or chipping required. Merely sweep out the spot to be repaired—mix the material—trowel it on. Holds solid and tight right up to the irregular concrete edge . . . leaves no joint or crevice to become chipped and filled with dirt. Provides a firmer, tougher, smoother, more rugged wearing surface. Dries fast. Used for patches or over an entire area . . . indoors or out. Costs only 10c to 14c per square foot.



RUGGEDWEAR is the only resurfacer made with Cellulose.

MAKE THIS TEST!

FLEXROCK COMPANY
808 N. Delaware Ave., Phila., Pa.
Please send me complete information . . . details of FREE TRIAL OFFER—no obligation.
Name.....
Address.....
City..... State.....

NEW PRODUCTS

New processes . . . New designs . . . New applications of old materials . . . New twists on old ideas . . .

Accelerated tests, calculated to be the equivalent of four years actual service in sand-laden sea water, indicate that a new baked-on Coating System, developed by Hastolite Chemical Co., 65 Palmer Ave., Larchmont, N. Y., will protect ship and small boat propellers from corrosion, abrasion, and electrolysis. Basis of the coating is a Bakelite heat-reactive varnish.

Though patents were granted late last year to Geo. G. Renneker Co., 312 W. Randolph St., Chicago, for the 3rd Dimension Mystery Mirror Sign, it has been pushed very little outside its home territory. Unlighted, it looks like an everyday mirror; lighted, it reveals a series of signs or



images which apparently extend backward for a long distance. Strangely enough, the sign may be shipped flat, because the illusion of multiple images

is given by two superimposed mirrors. Light penetrates printing on the opaque back mirror, casting a reflection on the front transparent mirror, which in turn casts a reflection on the back mirror, and so on ad infinitum.

At least three departures mark the new Combination Gas-Electric Range recently announced by Tinneman Stove & Range Co., 2038 Fulton Rd.,



Cleveland: (1) The patented "Four in Line" top which eliminates reaching across lighted burners; (2) "Pop-Out" gas valve controls which are concealed from children's fingers until a door is opened and they move forward into



SILENT SALESMAN—To aid their dealers in the sale of their linoleum, Congoleum-Nairn, Inc., Kearny, N. J., is providing the Personal-izer, a large leather-bound ring book which opens out into three separate page groups. Left-hand group of pages comprises a series of room scenes, showing the use of factory-cut linoleum insets in numer-

ous original designs. Center pages contain full-color reproductions of the company's line of marbleized and textured linoleum. Right hand pages contain 24 original inset designs printed in color on transparent cellophane which may be laid over the center pages to reproduce any floor shown in the left hand pages or to develop new designs.

position automatically; (3) Inbuilt electric cooker which plugs into any standard 110-v. wall outlet which also provides current for an electric light and an electric clock. The cooker may be brought up to temperature if desired on one of the gas burners and then placed in the electric oven.

Major ingredients of a new sparkling bottled beverage called Sparkoffee are freshly brewed coffee and carbonated mineral spring water. R. H. Macy & Co., New York, advertises that it is both an excellent straight drink and "a marvelous mixer in any company."

When Simonds Saw & Steel Co. decided to go in for diesel power in its Fitchburg, Mass., file factory, it faced the problem of cooling with purchased water. Plant conditions ruled out a cooling tower on the roof. Problem was solved when Buffalo Forge Co., Buffalo, N. Y., provided Evaporative Condensers, like those used in air conditioning practice, for installation right in the engine room.

From vegetables to beer to wine to roller skates to fire extinguishers, the evolution of canning marches on. Since last winter the Coronado Mfg. Co., 500 Robert St., St. Paul, Minn.,



has had its Corono Fire Extinguisher out on test with consistently good results. Its carbon tetrachloride fire-extinguishing liquid neither leaks nor evaporates from the sealed can. To put it into action on a fire, puncture holes in both ends, and wield the pump. No trouble looking for a nail to do the puncturing; there's one in the handle.

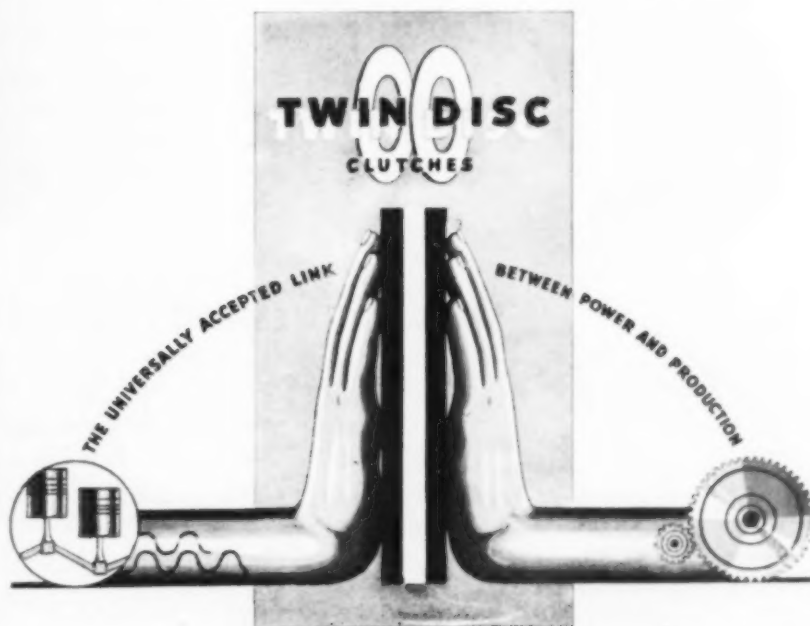
Certain needs in modern building construction and advertising display will be met by Easy-Curve Flexible Wallboard, a new product of Upson Co., Lockport, N. Y. Its 4x10-ft. panels can be rolled with the grain to diameters as small as 6 in.

21

..at
we feel rich

Rich in the friendship of America's leading industries. *Rich* in the loyal patronage of so many manufacturers who continue, through the years, to standardize on Twin Disc Clutches. *Rich* in the confidence of engineers, so amply demonstrated in a recent national survey in which they voted a 5 to 2 preference for Twin Disc Clutches. ¶ Such riches constitute real wealth . . . "unlisted securities" . . . tax-free, but invaluable. And, because all wealth means added responsibility . . . at twenty-one we pledge a continuance of the close cooperation, the whole-hearted interest in your problems, the zealous guarding of those high standards which won your patronage and made it such a valued asset . . .

Twin Disc Clutch Company, Racine, Wisconsin.



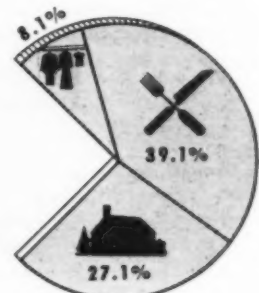
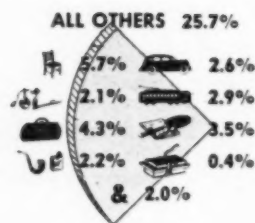
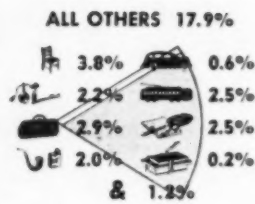
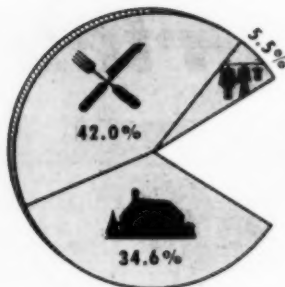
HERE'S HOW PEOPLE

The Lower Brackets

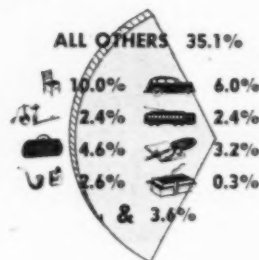
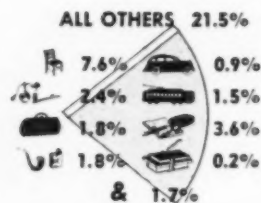
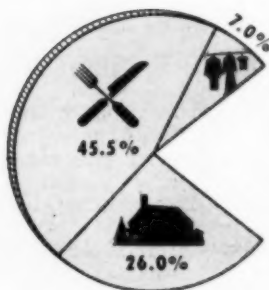
**\$500—\$750
ANNUAL INCOME**

**\$1,250—\$1,500
ANNUAL INCOME**

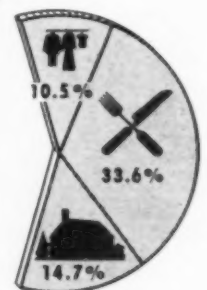
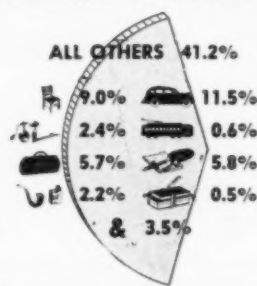
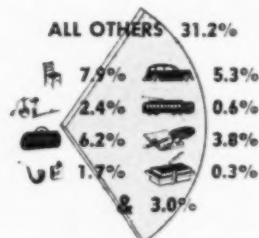
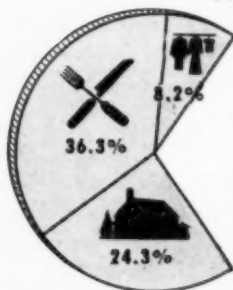
CHICAGO



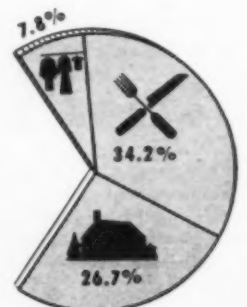
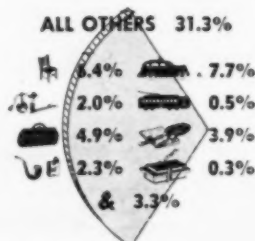
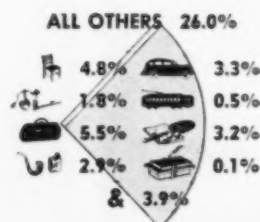
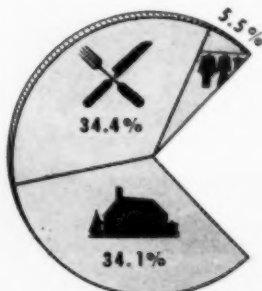
ATLANTA



MIDDLE-SIZE CITIES—PACIFIC NORTH-WEST



SMALL CITIES—NEW ENGLAND



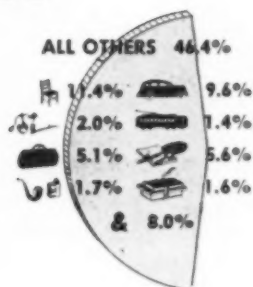
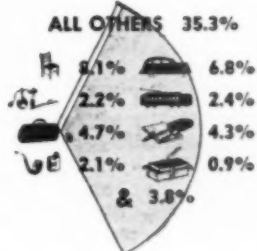
SPEND THEIR MONEY

The Upper Brackets

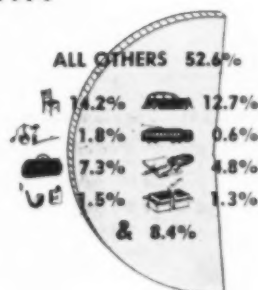
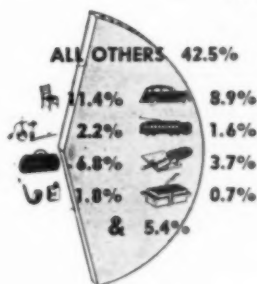
**\$2,500—\$3,000
ANNUAL INCOME**

**\$5,000—\$7,500
ANNUAL INCOME**

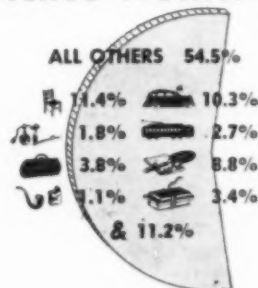
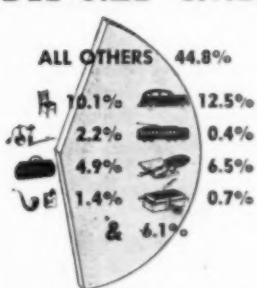
CHICAGO



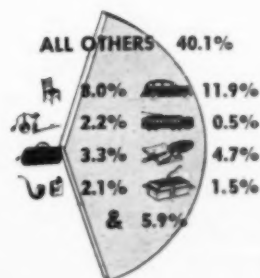
ATLANTA



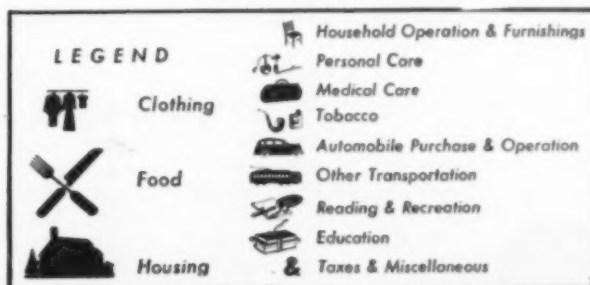
MIDDLE-SIZE CITIES—PACIFIC NORTH-WEST



SMALL CITIES—NEW ENGLAND



No data for \$5,000 to \$7,500 incomes



Where the Consumer Dollar Goes

Government study depicts the American way of living by breaking down family expenditures by income level, type of community, and geographical area.

WHEN the United States Department of Labor this week completed a preliminary study of the spending habits of American families, it filled a long-felt statistical void. The economist will find the survey useful in evaluating the geographical distribution of purchasing power; the sociologist and social worker will use the data to draw conclusions on American standards of living; the business man—particularly merchandisers—will examine the material for information on where and to whom to try to sell all types of products—foods, clothes, tooth brushes, cosmetics, automobiles, books, tennis rackets and everything else that goes into making the American way of life.

For, out of the study come such variegated facts as these:

1. New Englanders, despite their reputation for frugality, are comparatively unthrifty.

2. "Southern hospitality" still per-

sists. Southern families spend a larger proportion of their income on household operations than any other group.

3. Pacific Northwest families incline to be liberal on home furnishings and furniture.

4. New York is an expensive city to live in—and 17 out of every 100 families with yearly incomes of more than \$10,000 can't live within their earnings.

5. In large cities, two out of every three families with incomes of between \$1,750 and \$2,000 operate automobiles; in smaller cities, one out of every two families with incomes as low as \$1,250 to \$1,500 have cars. Chicagoans rely more heavily on autos than New Yorkers.

6. Tobacco expenditures in all groups except the top income classes exceed the amounts spent for education. Seemingly, tobacco is becoming a necessity, (and some day it may be classified as

a "food," instead of among the "all other" expenditures).

The survey represents the second part of a broad examination of "The American Way of Living," first analyzed by *Business Week* in the April 9 issue. By actual interviews with householders, the U. S. Bureau of Labor Statistics brings down to cases the amounts spent by American families so that it now becomes possible to show what happens to the dollar (see charts, pages 36, 37).

Spending Varies Significantly

The study verifies the fact that the smaller the income, the greater the proportion spent on necessities. For example, the charts indicate that in the lower brackets as much as 80% of total expenditures go for food, clothing and shelter; in the higher brackets, other-than-necessity expenditures get above 50%.

Yet, by no means do the charts convey the full scope of the survey. Rather, they suggest the spirit and the nature of the 22 pages of tabular material, which breaks down incomes into 16 classifications, and four population groups—metropolises, large cities, middle-sized cities and small cities.

For the most part, the data apply to native-born whites, but there is a separate compilation for negro families, which interestingly enough justifies the oft-used literary theme that "negroes like fine clothes." Negro families spend more on clothing than white families of corresponding means.

The survey, applying only to the years 1935 and 1936, shows that family budgets are badly unbalanced. New York's \$10,000-a-year man who lived beyond his means was not extraordinary. In Chicago, five persons out of every hundred earning from \$5,000 to \$7,500 wound up in the "red," and a sixth in the group just broke even.

Where Thrift Flourishes

The prize for thrift definitely goes to the families in the medium-sized, West Central cities. On the average, they managed to put aside \$1 on an income of \$1,000 to \$1,250. But in the corresponding cities of New England, the average family did not get by unless its income was above \$2,000.

Apparently, it's easier to save in small communities than in large ones. The average New York family does not put anything aside until its income reaches \$2,250; the Chicagoan begins to save at \$2,000; the Denverite at \$1,750; in the small city, savings start at \$1,250. Negroes, contrary to common belief, seem to do a better job of living within their incomes than whites.

The report, which is known as the "Urban Study of Consumer Purchases" is available at the Bureau of Labor

LABOR ANGLES

AUTO UNION'S NEW GROUPS

THE United Automobile Workers (C.I.O.) have taken another step to broaden their concept of industrial unionism by classifying prospects. Successful in assimilating the Society of Designing Engineers as a "craftized" branch, U.A.W. is setting up a National Tool and Die Makers' Organizing Committee, to take complete charge of organizing those specialized groups. The parent union hopes thus to gather in the workers who are unaffiliated or who are now associated with the independent Mechanics' Educational Society.

UNION'S TIPS TO EMPLOYERS

ALREADY famous for its publication last fall of the best union handbook on handling of plant labor grievances, the Steel Workers Organizing Committee will fire another notable pamphlet at employees and employers alike, next week. Carefully prepared, the treatise deals with ways to promote joint consultation on production problems, between labor and management in unionized plants. It will be sent to the plant executives, union leaders, and members in 529 companies with which S.W.O.C. has contracts. Incidentally, Philip Murray and Clinton Golden of S.W.O.C. already have held several conferences with management

in various places, looking toward formation of joint production research committees.

BIG BARGAINING UNIT

SOME business associations are "viewing with alarm" the recent NLRB certification of certain Pacific Coast dock and warehouse unions as coast-wide bargaining agents. Nevertheless, it is likely that other business groups which are as well organized as the Pacific shipping employers will watch attentively to see if the West Coast experiment succeeds. Sole bar to rapid adoption of the plan, where employers and labor are both well organized, is the conflict between the C.I.O. and the A.F.L. Sectionally or locally, the NLRB is prepared to certify such arrangements if clear majority representation can be shown and the employers are sold on group action.

SOCIAL SECURITY EXPANSION

C.I.O. is planning to set up local committees and a monthly bulletin system to promote a broader use of Social Security funds. In addition to old-age benefits, the industrial unions will seek to provide for care and education of children, assistance to disabled persons, public health service for workers, and broader insurance and compensation laws.

How to cool a house *without* rebuilding it ...

A problem! Thousands of home-owners are struggling with it this minute. And thousands who live in rented homes or apartments are feeling pretty hopeless about it.

The problem is . . . what to do for hot-weather comfort if one is not in a position to undertake a permanent air-conditioning installation?

Here is the answer. A new type of fan that is *more* than a fan . . . nothing to tear out or build in . . . a first cost no greater than for a small radio . . . an operating cost that scarcely makes a ripple in the electric light bill . . . an **R & M Air Circulator**.

A simple, practical step that you can take *now*!



For Business, Too

Stores, restaurants, offices, clubs, and workshops—all large premises that are not air-conditioned—also need R & M Air

Circulators to keep enlivening breezes always on the go, robbing heat waves of their terrors and promoting wide-awake efficiency and cheerful trade.

These powerful air-movers are made in 20-, 24-, and 30-inch sizes—floor, table, wall, and ceiling models—to meet every situation. They are fine and durable mechanisms, built for a score of years of service, and asking no more care than an occasional oiling. If you have ever had a regular R & M fan you know how good they must be!

Ask your dealer about R & M Air Circulators, with the patented blade-tip that increases air delivery and reduces noise. Air Circulators, \$44 and up; R & M Fans, \$3.95 and up. . . *Robbins & Myers, Springfield, Ohio; Brantford, Ontario.*



COOL night air is drawn in, bringing refreshing sleep

10,000 Cubic Feet per Minute

An ordinary fan blows the air *around*. An R & M Air Circulator blows it *out*.

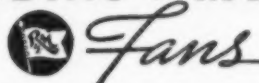
Set the Air Circulator, *facing outward*, before an open window in a bedroom, hall, or attic. Close all other windows except those in bedrooms to be occupied . . . and start the breeze full blast, an hour or so before bedtime.

Out rushes the day's accumulation of heat-laden air . . . 6600 to 10,000 cubic feet a minute (depending on the size of your Air Circulator). *In* flows the cool night air, a steady stream of it . . . and your house is livable again, ready for refreshing sleep.

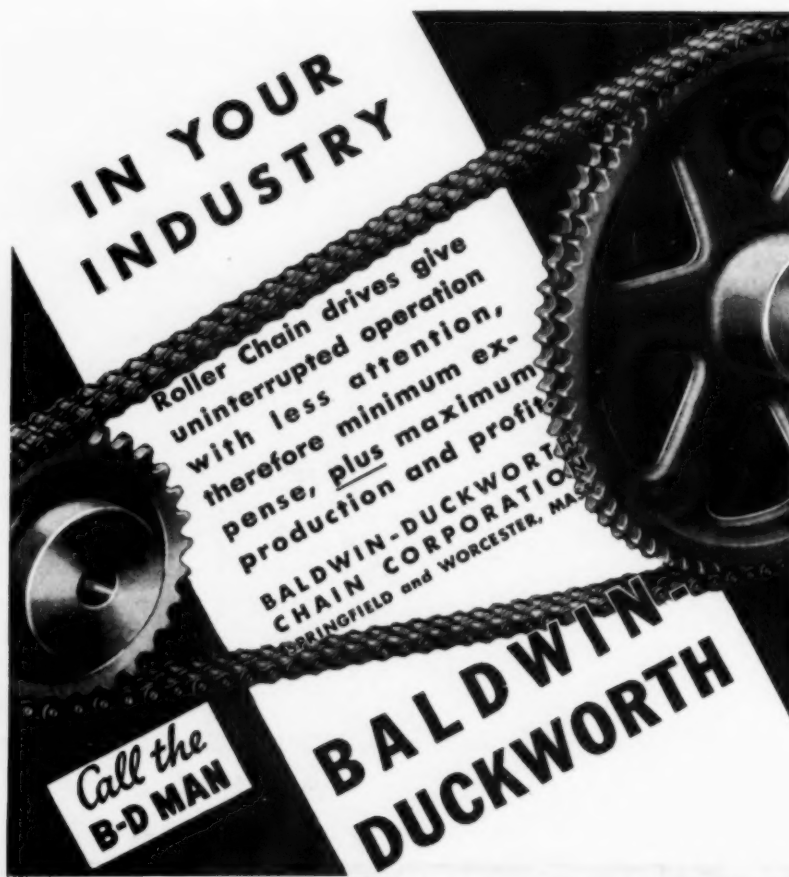


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ROBBINS & MYERS



ALL TYPES • ALL SIZES



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Roller Chain drives give uninterrupted operation, with less attention, therefore minimum expense, plus maximum production and profit.

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SPRINGFIELD and WORCESTER, MASS.

BALDWIN-DUCKWORTH

Call the **B-D MAN**



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Atlantic inspectors... men who are experienced in fire prevention and control... will consider with you your fire insurance problems... and often can suggest measures which will reduce your fire hazards. *Atlantic Fire Insurance* is written by one of the strongest American insurance companies on an economical, non-assessable, profit-participating basis. It also assures you prompt and ungrudging adjustments in case of loss. Atlantic policies are sold through brokers.

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ASK YOUR BROKER ABOUT ATLANTIC INSURANCE

Statistics, Washington, D. C., and, in its present form, it is strictly "raw material," subject to the margins of error inherent in any sampling investigation. But it will serve business and statistical organizations as a touchstone for future generalizations. For example, in making up hypothetical budgets, social workers usually compromise between what they *think* people spend for food, clothing, shelter, and other items, and what they *believe* people *ought* to spend. This survey shows what people actually spend—as far as the investigators were able to determine.

For the distributor, the survey does the same thing. No more saying airily, "people spend umpty-umph per cent. on autos." Here are some facts—by income, population, geographical areas.

Bonneville Blues

Power from this great project is ready for use. But is Portland happy? No!

POWER was ready to flow from Bonneville to its first user this week. But whatever celebrating is done throughout the Portland area will probably be tinged with disappointment.

The leading citizens of Cascade Locks, for instance, find themselves in a predicament. Eager for the distinction of holding Bonneville Contract No. 1, a group of business men in the little Oregon town underwrote an agreement with Bonneville Administrator J. D. Ross, for 100 kilowatt-years of juice for one year. That comes to about \$1,750 worth of electrical energy. Their plan was to resell the power to the West Coast Power Co. which already serves the community. Mr. Ross refused to allow this resale. Meanwhile, the Bonneville administration is busy building a five-mile transmission line to Cascade Locks, at a cost of \$10,000, paralleling a West Coast Power Co. line.

The Cascade Locks City Council has hurriedly ordered an election on a proposal to issue \$12,000 of bonds for a municipal distribution system, but that process will take several months.

Portland Objects to Rates

Portland is pretty sore about the Bonneville rate schedule, which it thinks is too high. (Primary power: \$14.50 per kilowatt-year at power site; \$17.50 on transmission system. For secondary power: \$9.50 at Bonneville plant; \$11.50 on transmission system.)

For an industrial plant located near the power house, the schedule averages out at 1.37 mills per kilowatt-hour if the customer uses his

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full quota of energy 100% of the time, or 2.75 mills in the case of a 50% load factor.

The Portland Chamber of Commerce is gathering ammunition for a fight to lower rates, which will be based on the claim that the rate structure for "at-site" power is higher than is necessary to enable the government to recover costs and that it won't appreciably encourage new industries.

When Mr. Ross announced the Bonneville schedule, Los Angeles joined Seattle and Tacoma in a big sigh of relief. Mindful of the bitter fight among Coast cities for new industries, southern California has been jittery for fear the Bonneville rates would be considerably more attractive than the Boulder Dam schedule.

New Financing Easier

Corporations' experience in June brings a pleasant feeling and warm expectations.

CORPORATIONS raised a little more than a quarter of a billion dollars through the sale of stocks and bonds—mostly bonds—during June. That's barely 60% of the amount raised in June last year and not quite half as much as in 1936, but it's far and away the largest total for a single month so far this year.

Moreover, things are looking up. Rising securities markets are taking care of that. Stocks have shot up so rapidly, in fact, that there is already some timid talk of the possibility of financing by means of common shares in the fall. That's a far cry from the situation prevailing since last October—a period in which common stocks have been strictly orphans.

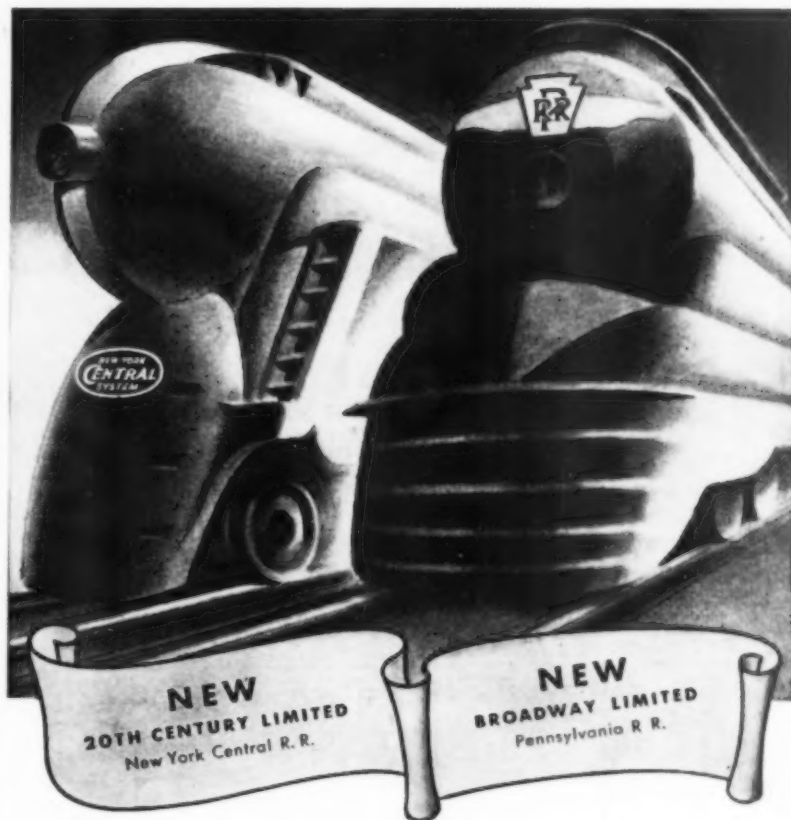
Markets Supply the Answer

In other words, the securities markets are providing the answer to the oft-repeated question: "Why can't corporations raise money?" Corporations can raise money when the markets are perky; investors and bankers alike shun all but the highest credit risks when markets are rancid. Experienced investment bankers have been saying this right along (*BW—Mar 5 '38, p. 42*), but their argument fell flat with the New Dealers and with would-be borrowers who had been encouraged by Washington to expect help.

The first five months of this year saw total corporate financing of \$375,460,520, according to the *Commercial & Financial Chronicle's* figures. Preliminary calculations indicate that June augmented that sufficiently to bring the six-month total to about \$625,000,000. That's the poorest first half since 1935, and compares with \$1,354,458,000.

EPOCH-MAKING STREAMLINERS

have Sturtevant Air Conditioning Equipment



ON June 15th two new history-making trains rocketed towards New York and Chicago on their inaugural runs. They were the crack streamliners... "20th Century" of New York Central and "Broadway Limited" of Pennsylvania... the most modern and the first all-room trains ever built.

For all 68 sleeping and lounge cars of four fleets of "Century's" and two fleets of "Broadway Limited's", Sturtevant Air Conditioning and Ventilating Equipment was used... consisting of Blower and Exhaust Fans, Evaporators, Overhead Brine Coils, Condensers, and Heating Coils.

Similar Sturtevant equipment also has been furnished for 36 sleeping and lounge cars of Pennsylvania's three new "Blue Ribbon" trains... the "General", "Liberty Limited" and "Spirit of St. Louis".

Over 8,000 passenger cars—a majority of air conditioned cars in U.S.—are equipped with Sturtevant Complete Systems, Air Circulating Apparatus, or other equipment for Air Conditioning Purposes.

B. F. STURTEVANT COMPANY, Hyde Park, BOSTON, MASS.

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Insurance is Protection ...and Service

CERTAINLY insurance is protection, but you won't get efficient and economical protection without the expert service of a man whose business it is to see your business from the insurance angle.

It's no job for the amateur. The insurance specialist sees risks the other fellow might not think of and economies you'd never guess. He acts as your purchasing agent, and when loss occurs he presents your claim.

Insurance that minimizes the agent's service may lessen your protection, increase your costs. Insurance is dollar protection—see that it is bought wisely.

Why not let an experienced agent take a look at your business from an insurance point of view? Like a check-up by your family doctor, it can do no harm—may save your business life.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

974 and \$2,056,117,183, respectively, for the like periods of 1937 and 1938.

Bond and stock houses, encouraged by June's spectacular market rise, are hoping that the second half of the year will make a much more favorable showing. Registration of new securities with the Securities and Exchange Commission, preparatory to offering, has been expanding rapidly. Many companies have been dickering with investment bankers for some time in the hope that just such a turn in the markets would favor them.

And the month of July gets off to a whirlwind start with \$50,000,000 of debentures and \$35,000,000 of serial notes of Standard Oil (New Jersey). This is all new capital, money to pay for expansion and improvements. Among new money offerings, this \$85,000,000 total is a close second in size to United States Steel's recent \$100,000,000 flotation.

Several other large bond issues, such as Southwestern Bell Telephone's \$30,000,000, Toledo Edison's \$36,500,000, New York Steam's \$32,000,000, and Crown Cork & Seal's \$10,000,000, are on the way. Jones & Laughlin has a \$13,500,000 deal on the fire (subject to SEC approval for the registration) by means of which it would sell bonds privately to Metropolitan Life and a group of banks. Detroit Edison has completed arrangements to sell \$15,000,000 in bonds to a banking group.

Major Issues Snapped Up

Incidentally, investment bankers are as much pleased with the way bonds are selling as with the prospect for increased activity. Every major issue offered to the public recently has been snapped up. The success of the \$60,000,000 Consolidated Edison 3½% debentures in April, the 150,000 shares of General Foods \$4.50 preferred in May, and the \$100,000,000 U. S. Steel flotation last month is typical.

The story wouldn't be complete, though, without mention of a couple of convertible issues recently offered to stockholders. It will be recalled that two such offerings—for Bethlehem Steel and Pure Oil—got caught in the bear market last autumn, that shareholders bought practically none at all, and that the underwriters who had to foot the loss haven't been able to smile since. Recent experience with similar issues has been much different. Philip Morris gave its common stockholders the right to subscribe to 77,873 shares of 5% cumulative convertible preferred, and shareholders took up their options on 99% of the offering; Commonwealth Edison of Chicago gave shareholders the right to buy \$39,000,000 of 3½% convertible debentures, and 96% of the issue was taken by holders of the common stock.

Business Abroad

World stock and commodity markets maintain most gains. Mounting Franco-Japanese tension precipitates trade rift. Soviet government issues big internal loan, expects good harvest.

OPTIMISM continues in most world markets this week, though it is tempered by the realization that the bull market of the last two weeks can't continue without some reaction if it is to keep in line with the capacity of business to maintain the pace on the basis of production.

Settlement of the Anglo-German difficulties which arose over Berlin's refusing at first to accept the responsibility for Austria's foreign debt helped to clear the atmosphere in Europe this week, though other Austrian creditors have not yet reached as satisfactory a settlement with the Reich.

Franco-Japanese tension developed this week when the French acknowledged that they were occupying with military forces the islands off the coast of French Indo-China, and ordered a suspension of many items of import from Japan. The prohibition affects about one-fourth of France's imports from Nippon. Tokyo is blamed for not having maintained its volume of French imports according to treaty.

France eased a tense situation in the Near East this week by agreeing with Turkey on joint protection of the district around Alexandretta which was made a part of French-mandated Syria after the war but which Turkey always claimed because of the Turkish population.

Great Britain

Outlook for next few months is good. Trade pact with U.S. expected soon.

LONDON (Cable)—Markets here have maintained most of the gains of the last few weeks, and the City is optimistic over the outlook for the next few months. It is believed that the rise in security and commodity prices will stimulate considerable restocking, which in turn is expected to put an end to the fear psychology of the last year. On the other hand, British observers feel that a small number of American business diehards need to compose their differences with President Roosevelt before the longer term outlook for American investments will command real confidence.

Few business indicators have as yet turned up, following the upswing on the stock and commodity markets. Un-

employment in June was 24,107 higher than in May, and nearly half a million greater than in June 1937. Biggest drops in the number of workers occurred in the textile industry, agriculture, and the hotel business.

FOREIGN ANGLES

MEXICAN RULE HURTS U.S.

American business will be the principal sufferer from the new Mexican plan to impose a 12% tax on all exports, and to limit imports in order to make up the budget deficit caused by the loss of petroleum taxes and to subsidize exports of items the government wants to develop. Major Mexican exports are metals, bulk of which are mined by United States-owned mines.

QUEBEC BANS CLOSED SHOP

Unions in Quebec, Canada, will not be allowed to keep non-union men off jobs under an important decision by the Quebec Court of Appeals. The court upheld the judgment of a lower court in favor of a non-union longshoreman against the National Independent Union of Longshoremen whose representative had him removed from a ship where he was working because he could not produce a union card. The judgment was for \$35 for loss of wages and \$70 for humiliation. The court was not influenced by an agreement between the union and shipping companies providing that only union men were to be employed.

HOW SOVIETS SET PRICES

Who sets prices in the Soviet Union? Why is wheat sold more cheaply in Uzbekistan, where none is grown, than in the region where it is a major crop? Henry Ware, an American who has just spent five years in the Soviet Union, discusses in the July issue of the new *American Quarterly on the Soviet Union* the technique of "Planned Soviet Prices" in a way which will interest many executives who question the workings of Soviet economy.

MADAGASCAR FOR JEWS?

The British are nervously aware that the Palestine conflict between Jews and Arabs cannot continue much longer without causing serious trouble. One of the many problems under con-

Bright spots in the week's news is the settlement of the Austrian debt question with Germany, and the prospect that it will lead to greater trade between Britain and Greater Germany; the growing demand for cargo space and the prospect that this will help soon to restore shipping freight rates to sounder levels; the June report of 280 companies showing profits of £22,091,487, against £21,539,783 last year.

Tin and rubber prices have risen to the highest levels since last December. June tin deliveries to the United States were 700 tons above estimates.

The Anglo-American trade agree-

sideration is a plan already discussed with France whereby the French would cede to the Jews the island of Madagascar, third largest island in the world which France now owns but finds it very expensive to keep up. This would leave the Arabs a clear title to Palestine except for a few monuments in Jerusalem.

GAINS IN U.S. EXPORTS

When United States export figures for May were released, several markets showed up spectacularly. In each of the following markets, the United States made bigger sales in May, compared with a year ago, and cumulative sales for the first five months showed the gains recorded below:

Cumulative Exports, January-May (000 omitted)			
To:	1938	1937	% Gain
Eire (Ireland) ..	\$15,728	\$2,951	433
Hungary	561	221	154
Czechoslovakia ..	10,984	4,335	153
Spain	4,138	1,766	135
Iran (Persia) ..	3,551	1,616	120
Greece	3,976	1,989	100
Soviet Union ..	31,159	15,850	97
Denmark	11,708	6,365	76

HIT HARD AT CHAMBERLAIN

British party bosses are a little worried about the new attacks which have been launched at Prime Minister Chamberlain by Lloyd George and others. The line of these attacks is that Chamberlain's one claim to statesmanship at present is the Anglo-Italian agreement; as he cannot afford to have this wrecked he is unable to retaliate on the Italian airmen who have bombed British ships in Spanish ports. In other words, his personal interest now clashes with his public duty.

U.S. BUSINESS WITH INDIA

The India Chamber of Commerce of America has been founded in New York by Indian merchants and leaders living in the United States. American business men and firms can become associated members for \$25 a year.

Make
your
advertising
more
effective

by using the information from the experience records of 18 outstanding advertising specialists in this new book.



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THE HANDBOOK OF ADVERTISING

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F. C. KENDALL and C. B. LARRABEE
530 pages, 6 x 9, \$5.00

WHAT are your questions about advertising today? Do you want touchstones for judging your copy? Are you concerned with latest trends in advertising art? Have you a problem relating to selection of proper media? Are you considering a radio program?

Whatever your question—if it is concerned in any way with current advertising practice—this book can help you. Eighteen advertising specialists present in this handbook brilliant treatments of current advertising problems, techniques, and principles. They offer you the benefit of their experienced views on questions within their specific specialties.

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Advertising Copy by Harford Powell
Advertising Art by Deane Uptegrove
Type and Typography by Laurence B. Siegfried
Media by Jack J. Boyle
Radio by H. K. Boice
Organizing the Advertising Department by G. S. McMillan
Agency Organization by Arnold Rau
The Advertising Appropriation by F. C. Kendall
Advertising Inquiries by William T. Laing
Industrial Advertising by John Allen Murphy
Direct Advertising by L. J. Raymond
Merchandising the Advertising by E. B. Weiss
Packaging by C. B. Larrabee
Consumer Contests by Elsie M. Rushmore
Premium Advertising by Howard W. Dunk
Window Displays by N. J. Leigh
Testing Advertising Copy by Frank R. Coutant

"Complete, up-to-the-minute, and significant. Altogether, the book has a finger on the pulse of the buying public. It lives up to its title."
—Barron's

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Send me Weiss, Kendall and Larrabee—The Handbook of Advertising for 10 days' examination on approval. In 10 days I will send \$5.00, plus few cents postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

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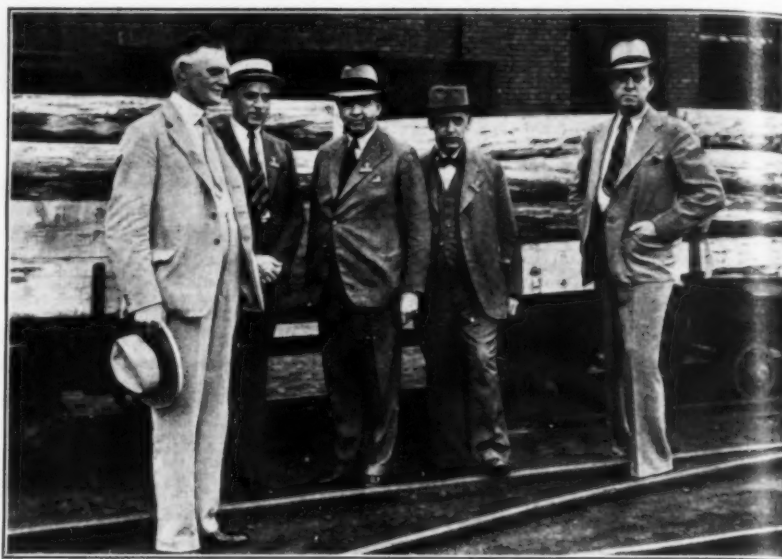
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Company H.W. 7-9-38
(Books sent on approval in U. S. and Canada only.)

British Industrialists Tour Canada's Mining Industry



A prime reason why Canadian business activity has held up far better than that of the U.S. (*BW*—Jul 23 p34), is that Canada's mineral production—which last year accounted for more than 9% of the national income—has for most of this year been moving at an accelerated pace.

Recently, Canadians had a chance to take visiting British industrialists and scientists on a tour of the Dominion's larger mines, following the meeting in Ottawa of the International Society of Chemical Industry. Shown here, as they prepared to inspect the famous Copper Cliff of Frood Mine of International Nickel Co. of Canada, Ltd., are: J. Sutherland, of Luton Beds, England; V. G. Bertram, of Montreal, president-elect of the society; Viscount Leverhulme, governor of Lever Brothers, Ltd., and former president of the London Chamber of Commerce; Sir Gilbert Morgan, British government research authority; and R. D. Parker, general superintendent for the International Nickel Co. of Canada, Ltd.

ment is thought to have a much better chance for final negotiation under the stimulus of reviving world markets. London watched with considerable interest the departure for the United States of the acting first secretary in the diplomatic service. Since he is also the chief drafting officer of all international pacts, it is believed that the agreement in Washington is about ready for his final checking.

Soviet Union

Third Five-Year Plan domestic loan is expected to attract more than 50,000,000 subscribers. Crop outlook is good.

Moscow (*Cable*)—Soviet Russia's five-billion ruble loan, the first big issue to finance the third Five-Year Plan, has been floated and is expected to be oversubscribed in record time. Subscriptions during the first three days were 25% above last year's patriotic defense loan, which was sold to more than fifty million subscribers. This is a tremendous figure when compared with the six million subscribers to the first Soviet loan in 1937. "Two to three weeks' wages for the father-

land" is the slogan for the campaign. Its success is based on the growing welfare of the Soviet population, reflected in the addition of twelve billion rubles this year to last year's eighty-two billion ruble national payroll, and in the opening of 5,000 new savings banks in 1938.

The Soviet leaders carefully point out the advantages of safety to the subscribers. During the second Five-Year Plan, subscribers received 2,665,000,000 rubles in interest and premiums on their holdings of government bonds. Only .80% of the budget covers the government's annual interest obligations. The Soviet twenty-one billion ruble indebtedness is all in domestic loans; this amounts to less than one-fifth of the national budget for 1938.

Special pressure is being applied in agricultural regions where subscriptions heretofore have "lagged behind the growing welfare of the peasantry," according to the Vice-Commissar of Finance. A further increase in their well-being is expected with the excellent harvest predictions and rural mechanization which is reaching a new peak this year. There are now nearly 500,000 tractors, 133,000 combines, and 120,000 trucks working state and collective farm fields.

Germany

Experts predict resumption of world business slump, with fresh problems for Reich. Berlin is pleased with debt accord with British.

BERLIN (Cable)—Despite the recovery of international stock and commodity markets, the Berlin Institute for Business Research's latest analysis of world trade predicts that the current bull market is only temporary, and forecasts accentuation of the recent business slump in the near future.

Another respected semi-annual economic review, that published by the Reichs Kredit Gesellschaft, adds to the gloomy outlook, especially for Germany, by emphasizing that maintenance of the present record rate of industrial operation is endangered by inadequate supplies of foreign raw

materials and the impossibility of building up reserves.

Rising industrial costs, on the other hand, tend to curtail profits and thus are handicapping seriously the accumulation of fresh capital.

Berlin is pleased with the settlement of the problem of Austrian debts held in Britain, particularly since it involves also the reduction of interest rates on loans which the Nazis have long felt were too high, as well as re-vamping of the Anglo-German trade agreement to provide for an extension of business. There is special satisfaction over the breaking up of the "united front" of foreign holders of Austrian bonds. Because the British were determined to settle the matter promptly, and because they had special weapons in the form of an unfavorable balance of trade with Germany, they handled their own negotiations without waiting for France and the United States to hammer out similar accords. France, and some of the other European creditors, have an almost equally good bargaining position, but the United States may find itself in difficulties because it ordinarily sells Germany much more than it buys from the Reich.

Under the new debt settlement with the British, Germany will make larger annual service payments to the British than heretofore, but they are conditioned on British purchases of German goods.

India's New Trade Envoy



Acme

LAST year the U. S. sold \$40,000,000 worth of manufactured goods in India, bought in return nearly \$56,000,000 worth of India's raw materials. To further trade relations between the two countries, the Government of India has appointed the Hon. Hardit Singh Malik as its first Trade Commissioner to the U. S. and Canada. The 43-year-old Mr. Malik, pictured above as he arrived this week on the *Queen Mary*, will have offices at 38 East 57th Street, New York. His job will be to publicize to a wide American business audience the basic raw materials to be found in India and the country's vast market for finished goods. India believes that its quaint and exotic products and attractions—its art goods, tropical fruit, and elephant-hunting—are already world-appreciated.

Canada

Dominion indicators turn up. Legislation will boost construction, start public works. British defense orders may cause trouble.

OTTAWA—Indications are now present that the trend of business in Canada has turned upward, at least currently. Aggregate bank clearings for June in 28 cities were 9.2% higher than for June, 1937. Carloadings were higher in the latest week than in the previous week and, for the western division, were higher than a year ago. Wholesale prices gained slightly, and wholesale and retail trade improved moderately. Construction contracts increased 12.5% in June over May, but were much below last year.

Canadian companies are making encouraging reports in some cases. Algoma Steel Corporation, Limited, now reports sales for the fiscal year ended Apr. 30 of \$13,000,000, compared with \$9,640,000 the previous year, and operating profit of \$1,398,000 compared with \$756,000. Loblaw, large grocer chain, showed increased profits for the year ended May 28,



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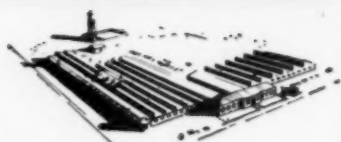
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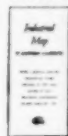
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Who's who IN
SOUTHERN CALIFORNIA
INDUSTRY



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From its great Southern California plant, Chrysler supplies the entire Pacific Coast with Plymouth cars and Dodge trucks. The fact that this area has the highest percentage of automobile ownership in the world, and is one of the highest in per capita income, undoubtedly influenced Chrysler in deciding to locate here. An additional factor was the unlimited supply of low-cost electric power available over the lines of this organization.



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Camping Out on a Midget Car



CAMPING out, when touring in one of the midget European cars, entails something of a problem in luggage space. A Paris firm is helping to solve the problem by putting on the market a "sleep on your car tent," which is carried on the roof of the car. A tubular steel frame unfolds as shown here to form the frame of the tent and a bed in which two can sleep comfortably.

Dominion Steel and Coal Corp's 5-month output of pig iron was 138,000 long tons compared with 137,000 last year. Cockahutt Plow Co., large manufacturer of farm implements, jumped sales 13% in the year ended May 31, Saskatchewan being the only province that did not increase buying.

Business recovery legislation enacted at the session of parliament which closed last week was largely confined to enlarging the housing scheme and inaugurating a self-liquidating public works program on a modest scale. To encourage construction of low-cost homes, \$30,000,000 was provided for government lending under provisions designed to produce a total expenditure of about \$90,000,000 in construction. This was in addition to the continuance of the assistance previously given through government loans to home builders and home renovators. The public works provision is also \$30,000,000, to be loaned to municipalities. Further to help construction, the 8% sales tax was removed from building materials.

The transport bill, permitting the railways, in their competition with highway traffic, to charge rates agreed upon with shippers, was another measure of interest to business. The railways claimed the truckers cut rates and that the agreed charges (as employed in Britain) will assist them. The bill also brings traffic on the Great Lakes, and air traffic, under the Transport Commission, as the present Railway Commission is to be called, by means of licenses and regulation of

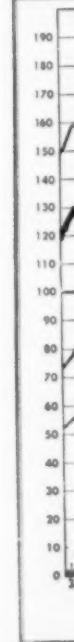
rates. Bulk shipments of grain and other commodities are not affected.

Base metal price increases, such as now seem probable, will mean millions of dollars to Canadian mining companies producing copper, lead, and zinc.

Discouragement of big British defense orders by the attitude of the Ottawa government to Empire defense is a possibility widely and seriously discussed in Canada this week. The question arises out of the reiterated stand of the Mackenzie King government that Canada is not committed to engage in any war in which Britain may be involved and that this country must not do anything to compromise its position in this respect.

It comes to a head now through the disclosure by Prime Minister King that unofficial suggestions from Britain that the British government might desire to establish Royal Air Force training bases in Canada were not favorably received here. King stated bluntly that if an official proposal had been made, it would have been rejected because Canada did not want military forces of another nation in Canada. He challenged the Conservative opposition to test public sentiment on the question.

The fear of business is that this attitude may extend to the establishment in Canada of large plants for making defense materials. It is believed that Britain is prepared to make Canada a great supplementary arsenal out of range of enemy attack, and that if the attitude of Ottawa were right, expenditures in Canada might run to \$400,000,000 or \$500,000,000 a year.



Money and the Markets

Commodities take the play away from stocks. Copper is typical. Its outlook depends on the general behavior of business. Both cotton and wheat have big surpluses, but their prices act differently.

COMMODITIES took the ball this week. Whereas stocks did a good bit of milling around—as was to be expected after the whirlwind advance—many of the more volatile raw-material prices scored striking gains.

As pointed out in these columns two weeks ago, a good advance in raw materials means a very great deal to business. It stimulates inventory replenishment by all who like bargains. It puts more money in the hands of producers of raw materials. These producers, in turn, spend a little more freely, and it all goes 'round and 'round.

Buyers Exercise Caution

The only fly in the ointment is that this sort of thing can be overdone in its early stages. If the stock boom were to prove ill-founded, for example, industry might readily find itself overstocked again.

Most observers, in sharp contrast to a month ago, are inclined to take the optimistic view. Yet they admit the inherent weakness in too rapid a rise. They're prying into all the situations to which they have access in an effort to get a first-hand insight into what's going on.

What goes on behind the scenes in copper, for example? That's a fairly

typical case, even though producers have not let the price run away.

In the first place, when it becomes a seller's market you can just toss the statistics out the window. What if apparent consumption of the red metal has averaged less than 30,000 tons a month for a half year? What if visible supplies did rise in a year from 99,576 tons to hit 355,663 as of Apr. 30, 1938?

Buyers have been in the market in the last few days on the largest scale since October, 1936, when the last commodity boom gained power. In the week ended last Tuesday evening copper consumers placed orders for 115,000 tons of the metal. They forced prices up from 9¢ to 9½¢ a lb. Obviously they knew there was plenty of copper in sight, but they were determined to protect themselves regardless of price.

Even assuming that the copper consuming industries have been using about 40,000 tons a month (there are confidential statistical reports which are supposed to show that), orders for the week in question were equivalent to roughly three months' requirements. Moreover, it is quite possible that there is an element of speculation in the buying, for most of the orders are for September delivery.

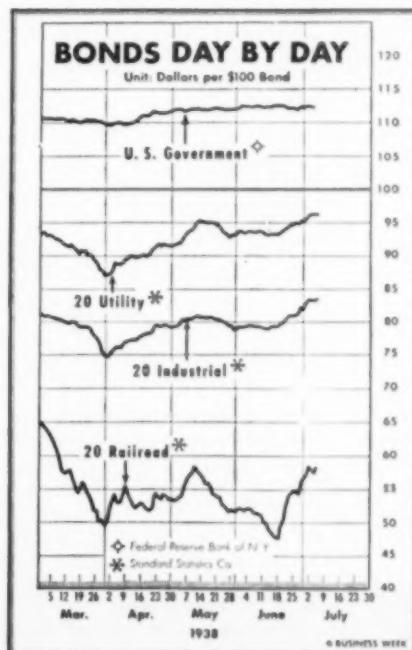
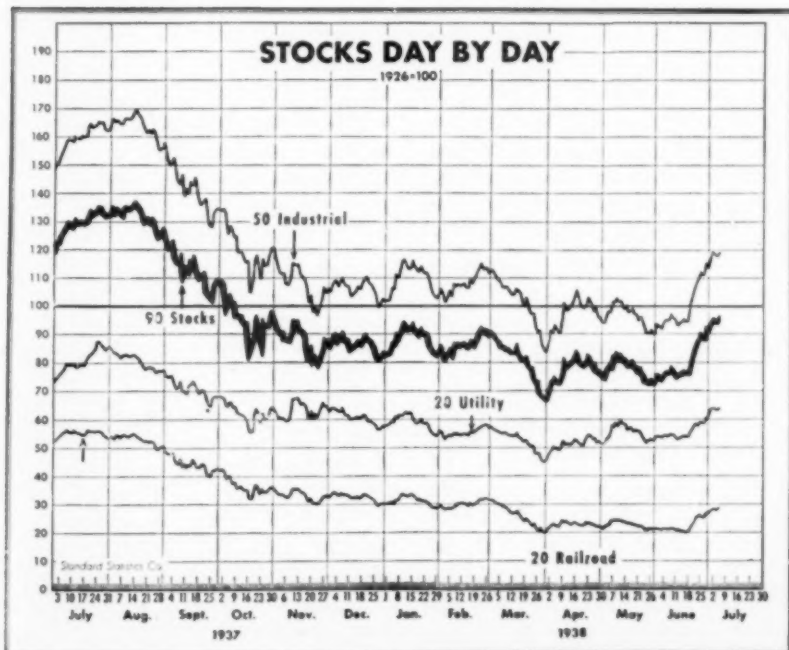
Those facts, by themselves, could support a pretty pessimistic conclusion on the outlook for the copper market—and for business, for that matter. However, it seems that copper fabricators have been cutting inventories of the metal by about 10,000 tons a month. That is to say, they have been shipping about 25% more copper out in finished products than they have been buying. Moreover, those shipments have been disappointingly small and even a mild pickup in fabricators' incoming orders would make inventory replenishment imperative.

Stocks Hold the Answer

Thus the payoff will be what business does. If this stock market is right—and enthusiasm among stock buyers still is rampant—replenishment of inventories will prove well warranted.

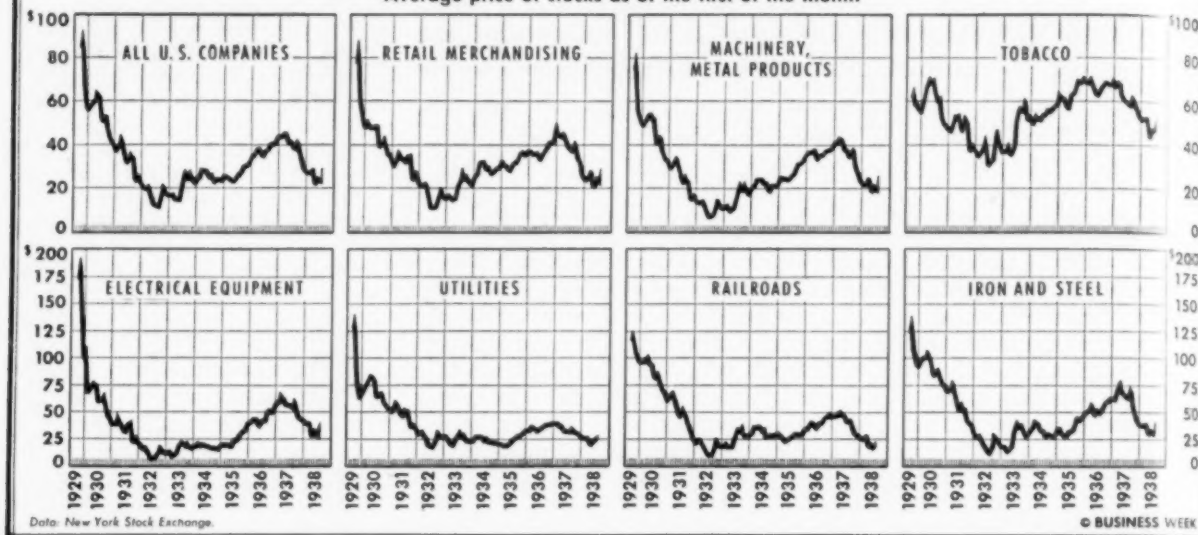
That seems to be what many manufacturing lines are figuring. Hides, for example, have been marked up 2¢ a lb. in the last few days on heavy demand. Shoe companies are buying leather because they are beginning to feel a pickup in their business. Endicott Johnson Corp. was among the first to curtail operations last August, and it is only now making its first important boost in schedules. Textile mills, under a rush of new orders, are buying cotton, although, in the interest of conservatism, they are still trying to avoid rapid increases in output.

Tire manufacturers have been experiencing better sales for some time, largely due to good replacement business. They have protected themselves on their rubber requirements because it takes six weeks to two months to



STOCK TRENDS BY MAJOR GROUPS

Average price of stocks as of the first of the month



get rubber from British Malaya to New York. And speculators have taken a hand in the market. With cartel quotas slashed to 45% for the third quarter, the rubber market has had several spectacular rises.

Wheat has been a notable exception to the trend a good bit of the time. As was to be expected, crop scares were a little overdone. Movement of the bread grain to terminal warehouses in Kansas City in the last few days has been in record volume. Speculators for the rise have gotten cold feet. Prices early this week got down pretty close to earlier lows before rallying.

Supplies Continue Large

Thus wheat and cotton provide an interesting contrast so far as the supply situation is concerned. The cotton carryover will be around 14,000,000 bales on Aug. 1, a new record. The new crop apparently will amount to 11,000,000 to 12,000,000 bales. That's a total supply of American cotton of approximately 25,000,000 bales or just about two years' supply. Yet there has been exceptionally keen demand for cotton in Liverpool, and prices have risen easily.

In wheat, the carryover is around 150,000,000 to 200,000,000 bu. The new crop probably won't be up to earlier expectations, but it still will be close to a billion bushels. Call the total supply about 1,150,000,000 bu. That's a little short of two years' domestic requirements. Wheat prices are wobbly, even though the supply situation isn't quite as depressing as that in cotton. The reason seems to be that speculators have been paying more attention to the forthcoming surplus loan figure than to statistics, and the

Department of Agriculture has indicated that loans won't be much more than 60¢ a bu. on the average.

It may be noted that there are one or two other important factors in wheat which are exerting conflicting influences. Canada still has every chance of an excellent crop, which would sharply curtail the United States' exports. On the other hand, wheat is piling up in terminal warehouses in the Southwest, but it may be slow to go to market even after the government loan figure is announced—farmers may choose to accept the loan and store the wheat rather than sell it at current prices. Thus an artificially tight market situation could conceivably arise.

While commodities were having their field day, stocks were beset by profit-taking. Old timers argued the extent of the technical reaction which was to be anticipated. Their calculations, however, were not very accurate because there were so many investors who had missed the boat. These latter rushed to buy on every reaction, which minimized the extent of the periodic sinking spells.

Hanes for Tax Tact

Did an Internal Revenue collector ever ride you? John will try to stop that.

It may not make taxes very much less painful, but business men may expect Uncle Sam's tax collectors to be more affable fellows in the future. To accomplish that is one of the reasons John W. Hanes, former Wall Streeter who became a member of the Securities and Exchange Commission, is going

over from the SEC to the Treasury.

The story comes pretty straight, and it goes like this. Hanes and his boss, SEC Chairman W. O. Douglas, had occasion to call on Sec. Morgenthau several weeks ago. Their visit finished, Hanes took occasion to tell the Secretary of the Treasury that he thought there were some things about Internal Revenue which could be improved.

He said, for example, that business was antagonistic toward the government because Internal Revenue agents so often treated business men like crooks. He added that he felt that the department should give rulings when business asked for them, not tell a corporation to go ahead its own way and start suit later on the contention that there had been irregularities.

The suggestions were given as one government man to another, according to *Business Week's* information, and Hanes' theme was public relations. He offered the thought that the federal government could be "sold" to the taxpayers more effectively by these means than by any others.

The two visitors from the SEC left the Treasury and didn't give the matter a second thought. However, Sec. Morgenthau saw in Hanes a man who had the business point of view, one who might be able to do the very job of public relations which had been suggested. This, it is believed, prompted the secretary to ask President Roosevelt if the Treasury could have Hanes.

Stories that Douglas and Hanes didn't get along—that Douglas asked to have Hanes moved—may be denied on the highest authority. These sources insist that the SEC chairman liked his commissioner from Wall Street and was sorry to lose him.

Hanes will succeed Roswell Magill

as undersecretary supervising taxes and taxation, as the latter is going back to teaching in the autumn. It is anticipated that the Wall Streeter will concern himself less with the technical phases of taxation—the Treasury has plenty of experts—than with the matter of handling collections in such a way that business won't get the impression that everyone in Washington is a skunk.

A friend of Hanes, asked the other day if the broker was an expert on taxation, replied:

"Well, he's been paying taxes all his life."

Questionnaire—New York Stock Exchange firms are pretty well inured to questionnaires. Every once in a while the exchange itself springs one—as happened in the case of Richard Whitney. And, just as often, the Securities and Exchange Commission sends out a printed list of questions with blanks to be filled in. With that background, Fenner & Beane, a large wire house, decided to send a questionnaire to its customers.

With the June statement, clients received a four page folder asking, "How much do you know about the brokerage business?" And just to make customers feel good, the firm noted that "anything above 50 is a passing mark." But when it comes to getting a passing mark, that's something else again. For some of the questions were pretty technical and difficult.

The idea is an interesting public relations departure for brokerage firms. If it does nothing else, it will make clear to customers how little they know about brokerage, and inversely how complicated the brokerage business really is. Here, for instance, is one of the more tricky questions:

A customer enters an order to sell 50 General Motors short at the market, the order reaching the "post" on the floor at 12:05. It is filled at 31½, at what time, in view of the following round-lot transactions in General Motors?

- | | |
|---------------|-----|
| a. 11:30..... | 32 |
| b. 12:15..... | 31½ |
| c. 12:25..... | 31½ |
| d. 12:30..... | 31½ |
| e. 12:35..... | 31½ |

To reach the correct answer, it is necessary to be "up" on recent New York Stock Exchange and Securities and Exchange Commission short selling rules. But it's not fair to consult the rule book before answering. Incidentally, 25,000 copies of the quiz went out in the first mailing, but the firm has extras—with the answers (including the answer to the above question) placed in such a way that peeking becomes almost impossible. Every time you want to find an answer, you have



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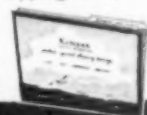
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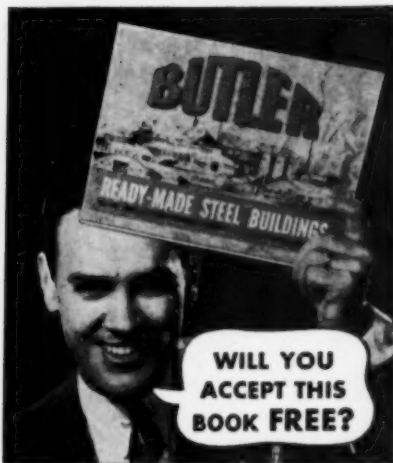


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to turn the questionnaire upside down. After you look up the first 12 questions, and find you've got eight wrong, you wonder whether it's the heat or the humidity.

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P.S. The answer to the above question is not "a".

That C. & O. Fight—In all the wrangling which has taken place about who controls the holding companies which in turn control the so-called Van Sweringen railroad empire, there has been one vitally interested party who had not heretofore been heard from. This is Allan P. Kirby of Wilkes-barre, Pa.

Mr. Kirby was one of the three young men who bought control of Alleghany Corp., top holding company, a little over a year ago. He's the son of one of the founders of the Woolworth five-and-ten business, and his presence in the syndicate was regarded as a matter of financial backing rather than active managerial interest. Robert R. Young and Frank F. Kolbe were expected to run the show.

But Young and Kolbe, partners for years, fell out. Kolbe sold his holdings. Much later it became apparent that Young had fallen out with the officers of Chesapeake Corp., intermediate holding company between Alleghany and the profitable Chesapeake & Ohio. Later a New York banking group, headed by the Guaranty Trust, stepped in and sought control of Chesapeake Corp. and the C. & O. They got Chesapeake, but Young still retains a slippery hold on C. & O. (BW—Jun 18 '38, p. 44).

While all this was going on, not a word was heard from Kirby. But the "silent partner" has at last spoken, and his words very clearly indicate that he and Young don't think the fight is anywhere near over.

Kirby issued a 2,000-word statement roundly criticizing the Guaranty Trust and the House of Morgan for allegedly hamstringing Young's efforts to revamp and simplify the holding company set-up. He says the Guaranty-Morgan group sold securities of Alleghany Corp. in 1929 at prices that must have seemed high even in those days. He accuses the bankers now of continuing "unnecessarily to jeopardize the solvency of Alleghany."

In addition to his criticisms of the opposing interests, Kirby reveals the interesting fact that his group put up \$4,000,000 in cash when it bought control of Alleghany. It has been believed quite generally that there was only \$255,000 in cash in the purchase price.

Business Week

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EDITORIALLY SPEAKING

Resuming its advertising campaign, the Illinois Meat Co., of Chicago, is devoting all its copy to its Broadcast Brand of corned beef hash. Why doesn't it team up with some dairy company in a joint campaign for corned beef hash and poached egg?

Gene Flack, trade relations counsel of the Loose-Wiles Biscuit Co., lifted up his 6 foot 4 or 5 or 6, whatever it is, from his chair. The place was a hotel ballroom. The occasion was a large meeting to launch the National Salesmen's Crusade. Gene had just been introduced by Richard W. Lawrence, president of the Bankers' Commercial Corporation and also of the Chamber of Commerce of New York State. He said Gene's voice should have been given to six train announcers. As soon as Gene began to speak, the audience agreed. But we dissent.

One day in 1915 or '16 we were sent out to a lovely place called Hegewisch, on a murder story, and there we first saw and heard Gene Flack, an incredibly tall, cherub-faced youngster on a competing paper. After the war we worked in the same city room with him. He was a resourceful reporter, a colorful writer, a fountain of zest and wit and impromptu oratory. That choir-boy's face, that twinkling eye, that rollicking, magnitudinous voice! The six train announcers can go roll their hoop. Only Gene Flack deserves that voice!

E. B. Murray of Kansas City, president of the National Association of Building Owners and Managers, says the cabinet of the President of the United States should be enlarged to include a secretary of real estate and construction. If you ask Harold Ickes, he'll tell you he's got that job now.

Last year the United States mint coined 164,823,570 buffalo nickels. We don't know what the total output has been in the 25 years since the buffalo first appeared on the nickel. Now he will begin to disappear. The Jefferson nickel will take his place. Pretty soon you will see your first Jefferson nickel, and gradually you'll get used to it, and then the time will come when you'll forget there ever was any other kind of nickel, and finally—suddenly—in 1963, you'll look up from your visualized newspaper some morning and say to your grandson:

"Well, I'll be switched! They're going to stop coining Jefferson nickels! Seems to me that's the only sort of

nickel I ever remember seeing. No more Jefferson nickels! Well, I'll be darned!"

As for our own buffalo, which we bought for \$60 from the Biological Survey some months ago, we auctioned him off in the reception room last Tuesday, July 5. We hated to part with our mascot, and we could tell from the deep melancholy of his eyes that he felt the same way about us. The successful bidder was John W. Ripley, of Topeka, Kan., who promised to give him a good home as mascot of ceremonies for the Ripley laundry.

"Save! Buy the big size, 16-oz. size, 21¢; 4-oz. size, 9¢. Buy the big size—you save 15¢." With such ads as this, Walgreen's and Whelan's and Liggett's and Crown and other chain druggists, as well as independents, are campaigning to sell large-sized packages of drug products. But it will be a long time before the same idea can be applied to shoes.

As long as a city block and as high as a three-story building, the world's largest diorama—a perspective model of New York City—is being built by the Diorama Corp. of America for use in the New York World's Fair next year. Walter Dorwin Teague, the designer, presumably intended to show visitors from out of town what New York looks like; but possibly the main learners will be New Yorkers themselves.

A screw, you might think, isn't a suitable subject for an advertising campaign; but James Thomas Chirurg, head of a Boston advertising agency, thought differently, as he explains in an article in *Industrial Marketing*. The American Screw Co., of Providence, R. I., has a new sort of screw, known as Phillips Recessed. It has licensed the Parker-Kalon Corp., Continental Screw Co., Corbin Screw Corp., National Screw & Manufacturing Co., and Russell, Bursall & Ward Bolt & Nut Co., to manufacture it.

Question: Could Phillips Recessed be successfully launched despite the business recession? American Screw and its licensees thought it could. By studying their market and making a joint advertising campaign, they managed to launch it. As Mr. Chirurg writes:

"For the first time in a generation or more, a screw was news that could be made worthy of executive attention."

Start Grocery Business with \$300 loan



How Household service helped two brothers get ahead

Clerks in a grocery store, two Pittsburgh boys were supporting their widowed mother and paying for a small house out of their modest earnings. Ambitious and industrious, they were determined to get ahead. But where were they to get money to start their own store? They came to Household Finance for an answer. Household made them a loan of \$300. Not long after they were the happy owners of a thriving business. The local Household manager reports that "they never got through thanking Household for giving them their start."

Money for those without collateral

Household Finance service gives responsible men and women an opportunity to obtain loans of \$20 to \$300 on their character and earning ability. Last year 715,000 people borrowed one hundred and twenty million dollars. This money helped the borrowers to increase their incomes, clear up over-due bills and get a fresh start, meet emergency expenses caused by illness and accidents, keep insurance in force, save property from foreclosure—solve scores of family financial problems.

With these loans went help in money management and better buymanship—guidance in getting more out of limited incomes. Household's practical publications, developed to facilitate this work, are now used in more than a thousand schools and colleges.

Send for free booklets

You will enjoy reading the story of Household's helpful money service for those without collateral for bank loans. The coupon below will bring you illustrated booklets describing Household Finance's interesting activity as lender and family financial counselor without obligation. Why don't you send it now?

HOUSEHOLD FINANCE CORPORATION and Subsidiaries

Headquarters: 919 N. Michigan Ave., Chicago
"Doctor of Family Finances"

one of America's leading family finance organizations, with 233 branches in 150 cities

1878 • Completing sixty years of service to the American Family • 1938

HOUSEHOLD FINANCE CORPORATION, Dept. BW-G
919 N. Michigan Ave., Chicago, Ill.

Please send me booklets about Household's family money service without obligation.

Name _____

Address _____

City _____ State _____

BUSINESS WEEK

The Journal of Business News and Interpretation

JULY 9, 1938

Let's Talk Taxes, Now!

THE practical matter of taxation obviously is not going to have a place among the "lofty" issues of the 1938 Congressional campaign. It has been parked for the duration. We may accept as the last official words on future tax plans—until the election is safely over—those spoken last week by the President and by Sen. King of Utah, the Administration's leader on the Senate Finance Committee and on the joint Congressional Committee on Internal Revenue Taxation.

Mr. Roosevelt, we are told, "revealed that the Administration was studying methods of taxation with a view to liquidating the public debt piled up since 1933 by expenditures for recovery and relief." Sen. King "revealed that studies already are under way looking toward submission of the legislation early next session and that surveys are being undertaken by experts of the committee."

Thus, in the good old-fashioned way, at the last quiet moment before the shooting begins, we are assured that the tax problem is to be removed from the turmoil of the political battlefield and consigned to the dispassionate laboratory of the experts. And so we may be expected to unite in applause of the Administration before some of us split with it on other issues.

That's the idea, but let's take a look at the laboratory before we are too liberal with the applause.

TAXES have been removed to the same laboratory before. They went there last fall when the President and Administration members of Congress brewed equally soothing medicine about "scientific tax revision all along the line." But when they emerged they bore evidence that the work of the experts had been directed chiefly toward scientific face-saving for those who had conceived and backed the unpopular undistributed profits tax. Eventually Congress did a little patching job; but the kind of revision promised by Sen. King remains just a promise—too good to be true in a Democratic administration as in a Republican.

We shall not feel the reassurance that the President and the Senator have sought to convey until the tax problem is entrusted to the laboratory of a really national tax commission, one that represents the taxpayers as well as the tax collectors. Such a commission should include farm men, business men, labor men, economists, and all the expert talent it

can enlist. It should be a permanent body with rotating personnel. Its studies should cover the scope and relationship of local, state, and national taxation. It should keep in view the long-term effect of taxation on the national economy rather than the short-term effect on partisan politics. As things are now, no one performs that vital function.

In drafting revenue measures, Congress should start with the recommendations of this commission; then, whatever practical compromises prove necessary, we should at least have some idea of what sound taxation looks like, what political taxation costs us.

SUCH a commission, moreover, would help materially to rid well-intentioned Congressmen of the pressure-groups that now harass them. It would offer them a far better "out" than they can command by merely pointing to the experts of their party-dominated Treasury and their party-dominated committees. To the nation as a whole it would promise, for the first time, an "in" on the formulation of tax policy that hitherto has been reputed to be the privilege of organized special interests only.

Such a commission could not take taxes out of politics; if you dream of that, you had better consult Dr. Hitler or Dr. Mussolini. But it would put taxes into politics as they should be. It would tell the whole story of what taxes are and what they cost; it would present to the voters fuller knowledge and honest alternatives on which candidates for office could be forced to take an honest stand.

Taxes are of the essence of politics in a democracy. It is no reassurance to be told at the start of an election campaign that the tax issue has been removed to a bombproof laboratory until Congress convenes; i.e., until after the election. What we need is a national laboratory with a qualified and truly representative staff working under glass all the time.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: \$5.00 a year, U.S.A., possessions, and Canada. Other foreign, \$7.50. Cable code McGrawhill.

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